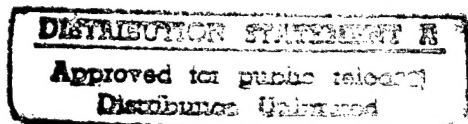


July 1997

MILITARY BASES

Lessons Learned From
Prior Base Closure
Rounds

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United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

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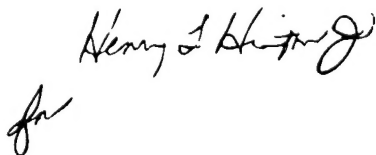
To the President of the Senate and the
Speaker of the House of Representatives

This report focuses on lessons learned from the base realignment and closure rounds held in 1988, 1991, 1993, and 1995. We undertook this work so that a systematic assessment of experiences would be available should the Department of Defense (DOD) request and Congress authorize additional base closure rounds. In transmitting the results of the 1997 Defense Quadrennial Review to Congress on May 19, 1997, the Secretary of Defense stated his intent to ask Congress to authorize two additional base closure rounds.

We are addressing this report to you in keeping with our practice of reporting to Congress on the recommendations and selection process employed by DOD in each of the three most recent base closure rounds, as initially required by the 1990 Defense Base Closure and Realignment Act (P.L. 101-510). We have identified lessons related to savings, costs, and economic impact and improvements needed in DOD's process for identifying bases for realignment and closure. We have also included matters for congressional consideration if Congress contemplates legislation for future base closure rounds.

We are sending copies of this report to the Chairmen and Ranking Minority Members, Senate Committee on Appropriations, Subcommittee on Defense; Senate Committee on Armed Services; House Committee on Appropriations, Subcommittee on National Security; House Committee on National Security; the Secretaries of Defense, the Army, the Navy, and the Air Force; and the Directors of the Defense Logistics Agency and the Defense Investigative Service. We will make copies available to others upon request.

This report was prepared under the direction of David R. Warren, Director, Defense Management Issues, who may be reached on (202) 512-8412 if you or your staff have any questions. Major contributors to this report were Barry W. Holman, Marian H. Harvey, and Kay D. Kuhlman.



James F. Hinchman
Acting Comptroller General
of the United States

Executive Summary

Purpose

Special legislative authorities were enacted in 1988 and 1990 to overcome impediments to base closures. These authorities provided the basis for four rounds of base realignments and closures (BRAC) between 1988 and 1995. Despite anticipated completion of those rounds by 2001, the Department of Defense (DOD) continues to retain significant amounts of excess, costly infrastructure. Retaining this excess capacity drains resources needed for facilities maintenance and other priorities such as weapon systems modernization. Anticipating that DOD might request Congress to authorize additional BRAC rounds, GAO initiated this review to address (1) what lessons could be learned from prior rounds as they related to savings, costs, and economic impact; (2) what legislative actions would be needed if further BRAC rounds were to be authorized; and (3) what improvements, if any, would be needed in DOD's process for identifying bases for realignment and closure.

Background

Closing unneeded defense facilities has historically been difficult because of public concern about the economic effects of closures on communities and the perceived lack of impartiality of the decision-making process. It was made even more difficult by legislation enacted in the 1970s that required DOD to notify Congress of proposed closures and to prepare economic, environmental, and strategic consequence reports. These requirements effectively precluded bases from being closed between 1977 and 1988. However, legislation enacted in 1988 (P.L. 100-526) supported a special commission chartered by the Secretary of Defense to identify bases for realignment and closure and provided relief from certain statutory provisions that had hindered DOD's past efforts. With this legislation, a BRAC round was completed in 1988. Congress later passed the Defense Base Closure and Realignment Act of 1990 (Title XXIX, P.L. 101-510), which created an independent commission and authorized three BRAC rounds in 1991, 1993, and 1995. The four rounds resulted in decisions to close 97 out of 495 major domestic installations and many smaller ones and to realign other facilities. The legislation authorizing these rounds expired at the end of 1995, and DOD's authority to close or realign bases reverted to the 1970's legislation under which DOD, in effect, was unable to close bases.

Although the 1995 BRAC round produced decisions to close 27 major domestic bases, issues were raised about how some decisions were implemented. This was most evident as it related to the implementation of BRAC decisions at Air Force depots in Texas and California. As a result, there is considerable controversy today over those decisions.

Despite these recent BRAC rounds, DOD continues to maintain large amounts of excess infrastructure, especially in its support functions, such as maintenance depots, research and development laboratories, and test and evaluation centers. Each service maintains its own facilities and capabilities for performing many common support functions and, as a result, DOD has overlapping, redundant, and underutilized infrastructure. DOD has taken some steps to demolish unneeded buildings on various operational and support bases; consolidate certain functions; privatize, outsource, and reengineer certain workloads; and encourage interservicing agreements—however, these are not expected to offset the need for additional actions. At the same time, DOD officials recognize that significant additional reductions in excess infrastructure requirements in common support areas could come from consolidating workloads and restructuring functions on a cross-service basis, something that has not been accomplished to any great extent in prior BRAC rounds. GAO recently added defense infrastructure to its list of high-risk federal programs needing increased attention and planning to avoid waste and mismanagement.¹

The Secretary of Defense's 1997 Quadrennial Defense Review, which assessed defense strategy, programs, and policies, included the issue of future base closures in the infrastructure portion of the review. In his May 19, 1997, report to Congress on the results of this review, the Secretary asked Congress to authorize domestic base closure rounds in 1999 and 2001. That recommendation was endorsed by the National Defense Panel, the independent, congressionally mandated board that is reviewing the work of the Quadrennial Defense Review and completing its own review of defense issues. Earlier the Secretary announced that he had established a Task Force on Defense Reform to go beyond the work of the Quadrennial Defense Review; to examine ways to consolidate functions; eliminate duplication of efforts; and recommend organizational reforms, reductions in management overhead, and streamlined business practices.

Results in Brief

Lessons have been learned from prior BRAC rounds that can be used to improve the BRAC process should future rounds be authorized. These lessons relate to the amount of savings and up-front costs associated with closing bases and the economic impact on communities confronted with the loss of jobs. Data indicate that savings from base closures, though not well-documented, are expected to be substantial. However, net savings from BRAC were not generated as quickly as initially estimated because the

¹High Risk Series: Defense Infrastructure (GAO/HR-97-7, Feb. 1997).

costs of closing bases and environmental cleanup were high and offset the savings. Firm data on expected savings have been difficult to obtain primarily because DOD accounting systems, like all accounting systems, track expenses and disbursements, not savings. Furthermore, DOD guidance does not require that the services' BRAC savings estimates be developed consistently, well-documented, or updated annually to reflect changes that occur during implementation. Also, large revenues initially expected to be generated from land sales have not occurred. Some cost avoidances are not fully captured in DOD's savings estimates because defense budget plans do not reflect future costs such as long-term recapitalization costs.²

While defense civilian job loss and other adverse effects on communities are an inescapable byproduct of base closures, at least in the short term, recent studies indicate that, in a number of communities, the local economies appeared to be able to absorb the economic losses, though some communities are faring better than others. However, in some cases, it is too soon to tell what the ultimate economic impact will be. Several federal programs appear to have helped cushion the impact of closing bases on individuals and communities.

Given the historical difficulty of closing bases, new legislation is needed if there are going to be future base closures. DOD has proposed that Congress authorize two additional BRAC rounds. The expired 1990 BRAC legislation, as amended, established a sound process for identifying bases for closure and realignment, and it is widely viewed as a model for any future BRAC legislation. Some individuals expressed concern over the role of politics in the process. GAO recognizes that no public policy process, especially one as open as BRAC, can be completely removed from the U.S. political system. The process has several checks and balances to keep political influences to a minimum, but the success of these provisions requires that all participants of the process adhere to the rules and procedures. If future BRAC rounds are authorized, decisions will need to be made regarding the number of rounds, when they should be held, and how they will relate to other legislation dealing with downsizing and restructuring DOD's laboratories and test and evaluation facilities.

The outcome of potential future BRAC rounds could be improved by resolving, in advance, key organizational and policy issues, such as which service or services will be responsible for which support functions and

²Cost avoidances are defined as avoidance of costs that have not been budgeted, whereas cost savings are defined as cost reductions from an approved budget that result in program funds being recouped or used elsewhere.

whether some facilities will be managed jointly. The Office of the Secretary of Defense will have to exercise strong leadership to overcome the services' long-standing parochialism and inability to agree on significant cross-service consolidations in common support areas. The Secretary's Task Force on Defense Reform, as a follow-on effort to the Quadrennial Defense Review, could help address some of these key organizational and policy issues. If there are future BRAC rounds, a DOD joint working group will also be needed to initiate improvements in DOD's BRAC processes and decision-making tools and ensure greater consistency in the services' processes. For example, further improvements can be made to the model used by DOD to estimate the costs and savings of closing and realigning facilities. Finally, if there are future BRAC rounds, DOD needs to ensure full audit access to all parts of DOD's BRAC process and to use the current discount rate tied to the U.S. Treasury's borrowing rate to calculate the net present value of BRAC savings estimates.

Principal Findings

Important Lessons Learned About Savings, Closure Costs, and Economic Impact From Prior BRAC Rounds

DOD's experience with bases closed in prior rounds provides some lessons about the amount of savings and high up-front costs associated with base closures and the affect of closures on communities. Costs associated with closing bases can be significant, and it may take several years before savings offset these costs and annual recurring savings begin. DOD projects that the cost of BRAC during the implementation period from 1990 to 2001 will reach \$23 billion. Over time, DOD's projections show that savings begin to offset costs with annual net savings increasing yearly and reaching \$4.4 billion in fiscal year 2001. Once implementation costs have been fully offset, including environmental restoration costs, DOD projects that the recurring savings, or cost avoidance, will amount to \$5.6 billion per year. However, the exact amount of actual savings realized from BRAC actions is uncertain because of the way in which initial cost estimates were developed, subsequent changes in cost estimates, lack of updates to the savings estimates, and inherent limitations in DOD's accounting systems.

Confusion and uncertainty over savings expected from BRAC occurred in part because initial costs and savings estimates, not of budget quality and rigor, were developed by DOD components when initially considering bases for closure or realignment. DOD's policy was to exclude environmental cleanup costs in initial BRAC decision-making because environmental

cleanup of bases was expected to occur, over time, whether a base closed or not. GAO has agreed with DOD's approach of excluding these costs from its initial BRAC decisions. GAO has also agreed that environmental restoration costs are a liability to DOD regardless of its base closure decisions. After the BRAC decisions were finalized, DOD added environmental cleanup costs, as it prepared new estimates of BRAC costs and savings to formulate its budget requirements for implementing BRAC decisions; such costs must be funded from the BRAC account. The subsequent inclusion of environmental cleanup costs increased the cost estimates for BRAC actions relative to the estimates reported by the BRAC Commission. The addition of environmental cleanup costs to the BRAC budget estimates, as well as changes that occur in the estimates over time and land sales revenues that were less than initially anticipated, has had the effect of delaying the point in time in which savings would overtake and offset the implementation costs.

In addition to these changes in the cost estimates, the services' BRAC savings estimates have been inconsistently developed and poorly documented, and not consistently updated annually, although DOD is required to report savings annually. A sound methodology for estimating savings that includes updating the savings estimates when a significant change occurs during implementation of a BRAC decision is important because DOD relies on these savings for future defense programs. A primary reason DOD has not tracked savings effectively is because DOD's accounting systems, like all accounting systems, are designed to track expenses and disbursements, not savings or long-term cost avoidances. Determining savings requires a separate analysis, which was usually done when DOD components developed their budgets for implementing BRAC decisions. The absence of efforts to update projected savings indicates the need for additional guidance and emphasis from DOD on accumulating and documenting updated savings data on a comprehensive and consistent basis. Such efforts will also be important to tracking savings should additional BRAC rounds be authorized.

At the same time, GAO recognizes that it may not always be practical to fully capture some savings or costs avoided from base closures. For example, defense budgets do not project long-term recapitalization costs beyond planned military construction projects. The avoidance of these recapitalization costs as a result of base closures could be significant, but the amount is difficult to estimate with any degree of precision. As a result, despite the need for greater emphasis on capturing and updating savings, some level of imprecision is likely to continue.

Maximizing savings from BRAC is also difficult in that BRAC cost and savings objectives compete with other policy and legislative requirements. Requirements related to disposal and reuse of excess military facilities limit opportunities for savings by reducing land sale revenues. On the other hand, options exist for reducing the high costs associated with environmental restoration; however, they require trade-offs among cleanup costs, cleanup schedules, and base reuse goals.

DOD estimates that approximately 107,000 defense civilian jobs will have been eliminated as a result of prior BRAC rounds—actions that will be spread over approximately a 12-year period by the time all of the BRAC actions have been implemented, not later than 2001. While this is a significant number, several federal programs assist DOD employees and communities in adjusting to base closures. For example, through the priority placement program, more than 23,000 of DOD employees have found jobs in other defense and government activities though some may have had to relocate outside of their community to find comparable jobs. Some employees who choose to stay in their communities may be unable to match their previous income. Federal programs and grants available to communities have helped to somewhat cushion the blow of base closures and helped communities develop plans for base reuse and economic revitalization. While the full economic impact of base closures on communities will not be known for some time, early studies suggest that the local economies of a number of communities appear able to absorb the economic loss from base closures, though some communities are faring better than others.

BRAC Legislation Will Be Needed If Future Rounds Are Held

The 1990 BRAC legislation, as amended, provided the framework for the BRAC processes that were used to successfully complete the three most recent BRAC rounds. That legislation, which expired in 1995, is seen by many officials as a model for the new legislation that would be needed for any future BRAC rounds.³ Key elements of the BRAC legislation that DOD and BRAC Commission officials said contributed to the success of prior rounds included (1) the establishment of an independent commission and nomination of commissioners by the President, in consultation with the congressional leadership; (2) the development of clearly articulated, published criteria for decision-making; (3) use of data certified as to its accuracy; (4) the requirement that the President and Congress accept or reject in their entirety the lists of closures adopted by the BRAC

³In this review, GAO did not analyze the parts of the legislation that dealt with the implementation of BRAC decisions, including property disposal and base reuse.

Commission; and (5) the creation of tight time frames to force the process to reach decisions in a timely manner. The legislation also required that GAO assess DOD's BRAC decision-making process and recommendations. Additional audit coverage by the DOD Inspector General and service audit agencies evolved over time and helped ensure that the data and analyses associated with the decision-making process were accurate and complete.

Issues critical in any proposal for future BRAC rounds are the number of rounds and when they should be held. The 1990 BRAC legislation authorized three rounds at 2-year intervals in 1991, 1993, and 1995. Most DOD and Commission officials GAO interviewed said it is likely that more than one BRAC round will be needed to eliminate excess infrastructure. Some thought each round should be authorized separately and DOD should make every effort to close as many excess facilities as possible. Others noted the advantages of multiple rounds, including continuity and expertise in DOD and Commission staff, payment of closure costs over a longer period of time, and possible force structure changes and technological advances that suggest the need for continuing assessment of and revisions to the infrastructure. Given the amount of advance work that goes into planning for a BRAC round, up to 18 months advance lead time could be required to make optimum preparations for another BRAC round.

Additionally, Congress would need to consider whether other legislation is still required for downsizing and restructuring DOD's laboratories and test and evaluation facilities. Legislation enacted as part of the defense authorization act in 1996 requires DOD to formulate a 5-year plan for consolidating, restructuring, and revitalizing these facilities. That legislation also charged DOD with identifying legislation needed to implement the plan.

DOD's BRAC Process Should Be Improved If Future Rounds Are Authorized

DOD and Commission officials stressed that strong, decisive leadership on the part of the Secretary of Defense will be key to the success of any future BRAC rounds. Although DOD completed four rounds, it did not reduce as much infrastructure as it had originally planned. In particular, DOD missed opportunities to reduce infrastructure in the area of support functions such as depots, medical facilities, training, and laboratories and test facilities, where cross-service consolidations and interservicing were possible.

The Office of the Secretary of Defense (OSD) emphasized the need for cross servicing in the 1993 round, and even more so in 1995, when special

cross service teams were set up to work in parallel with the services' BRAC processes to identify cross-service alternatives. Parochial interests and disagreements among the services over evaluation of their facilities were barriers to achieving significant cross-service agreements in 1993 and 1995. Various officials suggested that intervention by the Secretary of Defense would be needed to resolve these issues, foster increased cross servicing, and reduce infrastructure in these areas in any future BRAC rounds. The Secretary's Task Force on Defense Reform, as a follow-on to the Quadrennial Defense Review, as well as the National Defense Panel, could help address some of these key organizational and policy issues.

DOD improved its decision-making processes in each of the BRAC rounds. It strengthened its approach to data gathering and analysis and improved computer models used for analyses. Now DOD has the opportunity to further strengthen its processes before any future round. For example, despite efforts to improve the model DOD used to estimate the costs of closing and realigning facilities, several officials noted the need for further improvements to ensure greater consistency and completeness in how the services use the model. DOD can also strengthen the process to promote greater consistency in how the services apply the decision criteria to ensure a fair and open process. If there are future BRAC rounds, a DOD joint working group will be needed to initiate improvements in DOD's BRAC processes and decision-making tools and ensure greater consistency among the services' processes. For example, the Air Force needs to improve the clarity and visibility of its BRAC decision-making process. Also, if there are future BRAC rounds, GAO believes that DOD and the BRAC Commission should use the discount rate tied to the U.S. Treasury's borrowing rate to calculate the present worth of future savings, known as the net present value. Finally, DOD would also need to ensure full audit access to all parts of DOD's BRAC process.

Recommendations

GAO has already reported that DOD needs to develop an overall strategic plan for accomplishing its fiscal and operational goals that, among other things, considers the need and timing for future BRAC rounds.⁴ Because substantial opportunities exist to achieve future savings through cross-service consolidations in common support areas, GAO believes that it is very important to resolve the policy issues that have limited cross-service consolidations in the past. Accordingly, if Congress agrees with DOD's proposal and authorizes future BRAC rounds, GAO recommends that the Secretary of Defense

⁴High Risk Series: Defense Infrastructure(GAO/HR-97-7, Feb. 1997).

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- work with the Task Force on Defense Reform and the National Defense Panel to address, in advance of any future BRAC round, the important organizational and policy issues in the various cross-service areas that would facilitate the process of making further infrastructure reductions;
 - convene a DOD joint working group, as soon as practical, to develop policy guidance, improve BRAC processes and decision-making tools, and ensure greater consistency among the services' processes;
 - use the current discount rate tied to the U.S. Treasury's borrowing rate to calculate the net present value of BRAC savings estimates; and
 - ensure full audit access to all parts of DOD's BRAC process.

Whether or not Congress authorizes future BRAC rounds, DOD also needs to improve its periodic updating and reporting of savings projected from prior BRAC decisions. This information is needed to strengthen DOD's budgeting process and ensure that correct assumptions are being made regarding expected reductions in base operating costs. Accordingly, GAO recommends that the Secretary of Defense provide guidance to ensure that its components have and follow a clear and consistent process for updating savings estimates associated with prior BRAC decisions.

Matters for Congressional Consideration

If Congress considers legislation for future BRAC round(s), it may wish to (1) model it on the 1990 BRAC legislation as a starting point, (2) pass such legislation early to allow the lead time needed for DOD and the Commission to organize their processes, and (3) consider the relationship between any new BRAC authority and section 277 of the National Defense Authorization Act for Fiscal Year 1996 pertaining to laboratories and test and evaluation facilities.

Agency Comments

In commenting on a draft of this report, DOD concurred with GAO's conclusions and recommendations (see app. III for DOD's comments).

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Abbreviations

AAA	Army Audit Agency
BRAC	base realignment and closure
CBO	Congressional Budget Office
CRS	Congressional Research Service
COBRA	Cost of Base Realignment Actions
DOD	Department of Defense
GAO	General Accounting Office
IG	Inspector General
OSD	Office of the Secretary of Defense
QDR	Quadrennial Defense Review
PRV	plant replacement value

Introduction

Historically, closing unneeded military bases has not been easy, in part, because of the public's concern about the effects of closures on communities and their economies and questions about the impartiality of the decision-making process. That perspective led to significant legal and administrative barriers to base closures in the 1970s and 1980s. However, special legislative authorities enacted in 1988 and 1990 provided the means to deal with these concerns and overcome the barriers. Those authorizations allowed four rounds of base realignment and closure (BRAC) decision-making to occur in 1988, 1991, 1993, and 1995.

Evolution of Efforts to Close Excess Military Bases

The Department of Defense (DOD) initiated actions during the 1960s and early 1970s to reduce its military basing infrastructure. The process for identifying candidates for closure and realignment was almost completely developed by the Office of the Secretary of Defense (OSD), with little input from the military departments or Congress. More than 60 major bases were closed. However, the extent of these base closure actions, with the cumulative economic impact and the lack of oversight of the decision-making process, fostered concern about the fairness of the process and set the stage for congressional resistance to future base closures.

Legislative Impediments to Base Closures in the 1970s and 1980s

Congressional actions in the 1970s, such as denying funding for base closures, made it increasingly difficult for DOD to unilaterally close and realign military bases. In 1977, Congress enacted legislation, reflected in 10 U.S.C. 2687, which essentially halted additional base closures. Under section 2687, the closure of any military installation in the United States with at least 300 authorized civilian positions or the realignment of any installation involving a reduction of more than 1,000 civilian employees or more than 50 percent of the installation's authorized civilian workforce could not take place until the Secretary of Defense had evaluated the "fiscal, local economic, budgetary, environmental, strategic, and operational consequences of such closure or realignment." If the Secretary found, as a result of these evaluations, that the individual base closure or realignment should proceed, the Secretary had to notify Congress of the proposed closure or realignment and wait 30 legislative days or 60 calendar days, whichever was longer, before proceeding. The time-consuming processes associated with implementing these requirements effectively stopped individual closure actions. As a consequence, no major domestic military bases were closed between 1977 and 1988.

Steps to Overcome Barriers and Develop a Fair and Credible Base Closure Process

The suggestion to use an external commission to add independence and credibility to the base closure process came in a 1983 report by the President's Private Sector Survey on Cost Control, known as the Grace Commission. However, action to implement this recommendation did not come until about 5 years later.

In May 1988, as the defense budget and force size were beginning to decrease and future reductions were expected, the Secretary of Defense chartered a commission to consider military bases for closure. That action was later undergirded by special legislation enacted in October 1988 (P.L. 100-526) only for the 1988 BRAC round. It authorized a special commission to identify proposed closures and realignments and provided relief from certain statutory provisions that had hindered the base closure process. The 1988 BRAC round produced decisions to close 16 major domestic bases. Even so, concerns existed about the fairness and impartiality of the process, in part, because the commission was appointed by and reported directly to the Secretary; also, concerns were expressed that the list of proposed closures unfairly targeted districts represented by certain members of Congress.¹

New efforts by the Secretary in January 1990 to initiate the closure of 35 additional bases and the realignment of 20 others—without special enabling legislation—encountered difficulty and were not completed. Problems included varying processes used by the services to derive their proposed closures, OSD's failure to provide specific guidance to the military services and defense agencies on how to evaluate bases for possible closure or realignment, and the difficulty in completing the extensive studies required by 10 U.S.C. 2687. Concerned again that political influence may have affected the Secretary's January 1990 proposals, Congress passed the Defense Base Closure and Realignment Act of 1990 (P.L. 101-510) halting any major closures, except those meeting the new act's requirements. That legislation authorized BRAC rounds in 1991, 1993, and 1995.²

The 1990 legislation created an independent Defense Base Closure and Realignment Commission appointed by the President, in consultation with

¹At the request of the Chairmen and the Ranking Minority Members, House and Senate Committees on Armed Services, we examined the Commission's methodology, findings, and recommendations. We made recommendations for improving management controls and methodology should there be future base closure studies. See *Military Bases: An Analysis of the Commission's Realignment and Closure Recommendations* (GAO/NSIAD-90-42, Nov. 29, 1989).

²With the expiration of the 1990 BRAC legislation on December 31, 1995, procedures and authority to close or realign bases reverted to 10 U.S.C. 2687.

Congress, and outlined specific procedures, roles, and time lines for DOD, the Commission, the President, and Congress to follow. That legislation provided the foundation for a process whereby the Secretary of Defense would make recommendations for closing and realigning military bases, relying on (1) clearly articulated, published criteria used in selecting candidate bases; (2) the review of his proposals by the Commission; (3) acceptance or rejection of the Commission's recommendations in their entirety by the President; and (4) final acceptance or rejection of the recommendations in their entirety by Congress. The legislation also imposed clear milestone dates by which key players in the process, such as the Secretary, the Commission, the President, and Congress, had to complete their assigned roles.

While the time frames specified by the legislation for decision-making during a BRAC round are compressed into a 6-month period, much greater advance working time is required within DOD to provide policy guidance, establish BRAC decision-making organizations within the services and defense agencies (hereafter referred to as DOD components), and begin the process of identifying candidate bases to be studied for potential closure and realignment. Thus, the actual decision-making process can take between 18 months and 2 years. As specified in the 1990 legislation, DOD has up to 6 years to complete BRAC closures and realignments commencing from the time the President transmits the Commission's recommendations to Congress. (See app. I for a summary of the BRAC decision-making process, including key legislative requirements associated with the 1990 act.)

The 1990 legislation required us to provide the BRAC Commission and Congress with a detailed analysis of the Secretary's recommendations and selection process. For the 1995 round, the 1990 legislation, as amended, required that our report be completed within 45 days of the Secretary's making public his list of recommended closures and realignments.³ (At the end of this report is a list of our reports completed in response to this legislative provision, as well as our other recent reports dealing with the BRAC process and the implementation of BRAC decisions.)

BRAC closure and realignment decisions are binding and can only be changed by subsequent legislative actions. During the 1993 and 1995 rounds, BRAC Commissions dealt with proposals from the Secretary to change prior BRAC decisions. For example, in 1995, 27 of the 146

³We further supported the work of the BRAC Commission by loaning some of our staff to the Commission to assist in its own analyses.

recommendations DOD submitted to the BRAC Commission were changes to prior Commissions' decisions. Such changes may be required as DOD proceeds with implementing BRAC decisions and finds that (1) aspects of some decisions were based on inaccurate cost estimates and are, therefore, cost prohibitive; (2) unforeseen events, such as organizational restructuring, make implementation of the initial decisions impossible, or (3) unforeseen circumstances or inaccurate analyses interfere with mission requirements. Most changes to BRAC decisions were needed to change the receiving site of a mission or an activity that was moving from a base scheduled to be closed or realigned.

Results of Recent BRAC Rounds and the Quadrennial Defense Review

The four BRAC rounds completed between 1988 and 1995 produced decisions to close 97 out of DOD's 495 major domestic military installations and numerous smaller installations and to realign many others.⁴ DOD reported that by the end of fiscal year 1996, it had closed about 58 percent of the 97 bases; DOD projects that over 80 percent will have been closed by the end of fiscal year 1997. DOD has until 2001 to complete the BRAC actions authorized by the 1990 legislation. However, in many instances, DOD has sought to expedite the schedule of planned closures in recent years to hasten the point that it nets savings from the closures. DOD estimates that when all of the recommendations have been implemented, it will have closed about 20 percent of its major domestic bases and believes it has positioned itself to achieve long-term reductions in the overall costs of operating its bases. (See app. II for a list of military installations closed by the four BRAC rounds that DOD designated as major military installations.)

Although the 1995 BRAC round produced decisions to close 27 major domestic bases, issues were raised about how some decisions were implemented. This was most evident as it related to the implementation of BRAC decisions at Air Force depots in Texas and California. As a result of this situation and other concerns, such as the amount of savings from base closures, there is considerable controversy today over whether further base closure actions should be authorized.

Notwithstanding the results of the four recent BRAC rounds, DOD officials recognized, even while they were finishing the 1995 round, that they had

⁴Military installations can be a base, camp, post, station, yard, center, or leased facility. As we reported in 1995, the number of bases recommended for closure or realignment in a given BRAC round is often difficult to tabulate precisely because closure decisions are not necessarily complete closures and closures vary in size. The term "base closure" often conjures up the image of a larger facility being closed than may actually be the case. The same is true with facilities designated by DOD as major closures. This report relies on DOD's characterization of which bases are to be considered major.

missed OSD's goal in terms of reductions needed through base closures. DOD calculated that the first three BRAC rounds reduced the plant replacement value (PRV)⁵ of DOD's domestic facilities by 15 percent. It established a goal for the fourth round of reducing PRV by an additional 15 percent, for a total of 30 percent. When the Secretary announced his recommendations for base closures and realignments in 1995, OSD projected that if all of the Secretary's recommendations were adopted, the total PRV would be reduced by 21 percent, nearly a third less than OSD's goal.⁶ The Chairman of the Joint Chiefs of Staff testified before the BRAC Commission in 1995 that excess basing capacity would remain after the 1995 round and cited the need for future base closure authority. DOD officials recognize that significant reductions in excess infrastructure in common support areas could come from consolidating workloads and restructuring these functions on a cross-service basis, something that has not been accomplished to any great extent in prior BRAC rounds.

Since the 1995 BRAC round, DOD and service officials have recognized that they continue to maintain aging and excess infrastructure that they cannot afford. As a result, the services are pursuing a number of initiatives to reduce the costs of maintaining their infrastructure, including demolishing aging and excess facilities that are no longer needed and that drain resources that should be used to maintain and repair needed facilities,⁷ renewing efforts to outsource and privatize various operations, consolidating and regionalizing some support operations, and placing greater emphasis on interservicing and intraservicing support. In one instance, Congress mandated that the Secretary develop a plan to consolidate and restructure the services' laboratories and test and evaluation infrastructure by the year 2005.⁸ While demolition will help to reduce excess facilities on some bases, the other initiatives underway or planned by DOD could result in additional excess facilities.

Over the past 7 years, we have called attention to critical government operations that are highly vulnerable to waste, fraud, abuse, and

⁵PRV is defined as the cost to replace current facilities using today's construction costs and standards. PRV is recognized as an imprecise measure, one that is calculated differently by each service. However, it was a key measure used by OSD to establish its goals for base closures.

⁶The 1995 BRAC Commission did not approve all of the Secretary's recommendations and it added other bases to the closure list. Since that time, OSD has not recalculated the net reduction in PRV.

⁷The magnitude of this funding problem was highlighted in our recent report showing that during the past 10 years, service funding devoted to real property maintenance of facilities had declined nearly 40 percent, while the square footage of space to be maintained worldwide had declined only about 10 percent. See Defense Infrastructure: Demolition of Unneeded Buildings Can Help Avoid Operating Costs (GAO/NSIAD-97-125, May 13, 1997).

⁸See section 277 of the National Defense Authorization Act for Fiscal Year 1996 (P.L. 104-106).

mismanagement by designating them as high-risk areas. One area of focus has been accountability and cost-effective management of defense programs. Our February 1997 series of reports on high-risk areas included defense infrastructure as a new high-risk area.⁹ Our defense infrastructure report noted that DOD is spending funds to operate and maintain aging, underutilized, and excess infrastructure and that setting forth a clear framework for a reduced infrastructure is key to avoiding waste and inefficiency. It further noted that the Secretaries of Defense, Army, Navy, and Air Force need to give greater structure to their efforts to attain infrastructure reductions by developing an overall strategic plan and using a variety of means to achieve reductions. Those means could include consolidations, privatization, outsourcing, reengineering, and interservicing agreements. It further stipulated that DOD should consider the need and timing for future BRAC rounds, as suggested by the 1995 BRAC Commission and other groups.

Report of the 1997
Quadrennial Defense
Review Calls for Additional
BRAC Closures

The National Defense Authorization Act for Fiscal Year 1997 (P.L. 104-201) required that the Secretary of Defense, in consultation with the Chairman of the Joint Chiefs of Staff, conduct a Quadrennial Defense Review (QDR). This review was to be a comprehensive examination of the defense strategy, force structure, force modernization plans, budget plans, infrastructure, and other elements of the defense program through the year 2005. In his May 19, 1997, report to Congress outlining the results of the review, the Secretary recommended that BRAC rounds be held in 1999 and 2001. That recommendation was endorsed by the National Defense Panel, the independent, congressionally mandated, board that is reviewing the work of the QDR and completing its own review of defense issues.

As the QDR was being finalized, the Secretary established a follow-on Task Force on Defense Reform to go beyond the recommendations of the QDR and develop a blueprint for further streamlining and reform of DOD's organization and procedures. By November 30, 1997, the Task Force is to report to the Secretary with its recommendations for organizational reforms, reductions in management overhead, and streamlined business practices in DOD. It will focus on OSD, the defense agencies, DOD field activities, and the military departments. One goal of the Task Force is to eliminate unneeded organizations, functions, and personnel. The Task Force is to work closely with the National Defense Panel.

⁹High-Risk Series: Defense Infrastructure (GAO/HR-97-7, Feb. 1997).

Objectives, Scope, and Methodology

Despite four rounds of base closures from 1988 to 1995, numerous indicators show that the services continue to retain excess infrastructure. Retaining this excess capacity drains resources needed for facilities maintenance requirements and other important priorities such as weapon systems modernization. Anticipating that DOD might request Congress to authorize additional BRAC rounds, we initiated this review to determine (1) what lessons could be learned from prior rounds as they relate to savings, costs, and economic impact; (2) what legislative actions would be needed if further BRAC rounds were to be authorized; and (3) what improvements, if any, would be needed in DOD's process for identifying bases for closure and realignment.

We relied primarily on our prior work in discussing the lessons learned from prior BRAC rounds as they relate to savings, costs, and economic impact. However, to the extent possible, we updated information. To obtain current information on BRAC costs and savings estimates, we used DOD's fiscal year 1998-99 biennial budget estimates for the BRAC accounts as set forth in the justification data submitted to Congress in February 1997. We also interviewed DOD Inspector General (IG) and Army Audit Agency officials who were reviewing selected BRAC costs and savings estimates to determine their validity.

To determine what legislative actions would be needed if further BRAC rounds were to be authorized and what improvements, if any, would be needed in DOD's process for identifying bases for closure and realignment, we interviewed DOD officials who participated in the 1995 round and, in some cases, prior rounds. The officials were from OSD, the Departments of the Army, Air Force, and Navy; Defense Investigative Service; and Defense Logistics Agency. We also interviewed commissioners and selected staff from the BRAC 1995 Commission, DOD IG and service audit agency officials, and our staff who worked on the 1995 round. In addition, we reviewed reports and documents from OSD, defense agencies, the military services, the BRAC 1995 Commission, DOD IG, the service audit agencies, and others, as well as our own, to identify key issues and lessons learned. After our initial round of interviews and analyses of documents, we prepared a consolidated list of main points related to our three objectives and conducted selected follow-up interviews to determine consensus on key points and modify reportable issues as warranted.

To obtain private sector views, we interviewed representatives from Business Executives for National Security, the National Association of

Installation Developers, and the International City and County Management Association.

We focused primarily on parts of the 1990 BRAC legislation that governed the process used to identify bases for closure and realignment. We did not examine portions of the legislation and process dealing with implementation of BRAC decisions.

We conducted our work between August 1996 and May 1997 in accordance with generally accepted government auditing standards.

Important Lessons From Prior BRAC Rounds Regarding Savings, Closure Costs, and Economic Impact

Experiences from previous BRAC rounds provide some important lessons should future BRAC rounds be considered. They point to the importance of data pertaining to expected savings, the up-front costs of closures, and the impact of job losses from base closings on local communities. Questions about the amount of savings have been fueled by limitations in how DOD develops and maintains current data on expected BRAC savings and the high up-front costs of implementing the BRAC recommendations. How individuals and communities would recover from base closures has been a long-standing concern and was a primary reason base closures were blocked in the past.

Available data suggest that savings from BRAC closures and realignments are expected to be substantial. However, up-front costs have been higher than initially estimated; thus, net savings have not been realized as quickly as hoped. Also, because DOD has not adequately tracked changes in initial savings estimates, questions have existed about the reliability of savings projections. At the same time, DOD has opportunities to reduce or contain closing costs. Also, recent experiences suggest that the economic impact of base closures has been cushioned to some extent by federal programs and assistance to affected individuals and communities. Early studies suggest that, while some communities are affected economically more than others, the effects in a number of instances have been relatively limited.

Savings From Prior BRAC Rounds Are Expected to Be Substantial, Although Not Always Well-Documented

We have consistently concluded that while changes in cost estimates had occurred and tracking savings was difficult, significant net savings were still likely, but generally were going to take longer to achieve than initially estimated. DOD projects that, on an annual basis, savings from the recent BRAC rounds began to exceed the cost of implementing the closures and realignments in fiscal year 1996, with a net savings of \$100 million that year and increasing incrementally each year thereafter to \$4.4 billion in 2001. It projects that the cumulative total savings from BRAC actions from the past four BRAC rounds will begin to exceed the total cumulative costs in fiscal year 1998. DOD projects that the total cumulative costs of implementing BRAC actions will be \$23 billion during the 1990 to 2001

implementation period.¹ However, DOD also expects to incur an additional \$3.3 billion in BRAC-related environmental restoration costs beyond 2001.² DOD projects that once those costs have been fully offset, it will realize annual recurring savings or cost avoidances of \$5.6 billion from closures and realignments. These savings are reflected in DOD's budgets through reduced funding levels to the base operating accounts. However, questions have existed about the reliability of these savings projections because of changes that occur over time and limitations in DOD's efforts to track the changes.

Up-front costs associated with closing bases can be significant and it may take several years before savings offset these costs and annual recurring savings begin.³ The costs of implementing BRAC recommendations have been greater than DOD initially estimated because land sale revenues were less than projected, particularly in the earlier rounds, and the costs of environmental cleanup were added. As a result, the point at which estimated savings began to offset the costs of closure was delayed, which raised the question of whether savings were being realized from BRAC. DOD's current projection for annual recurring savings of \$5.6 billion, once implementation costs have been recouped, is \$400 million less than the \$6 billion DOD initially projected after submitting its 1995 recommendations to the BRAC Commission.

Various Factors Account for Uncertainty in the Amount of Savings From BRAC

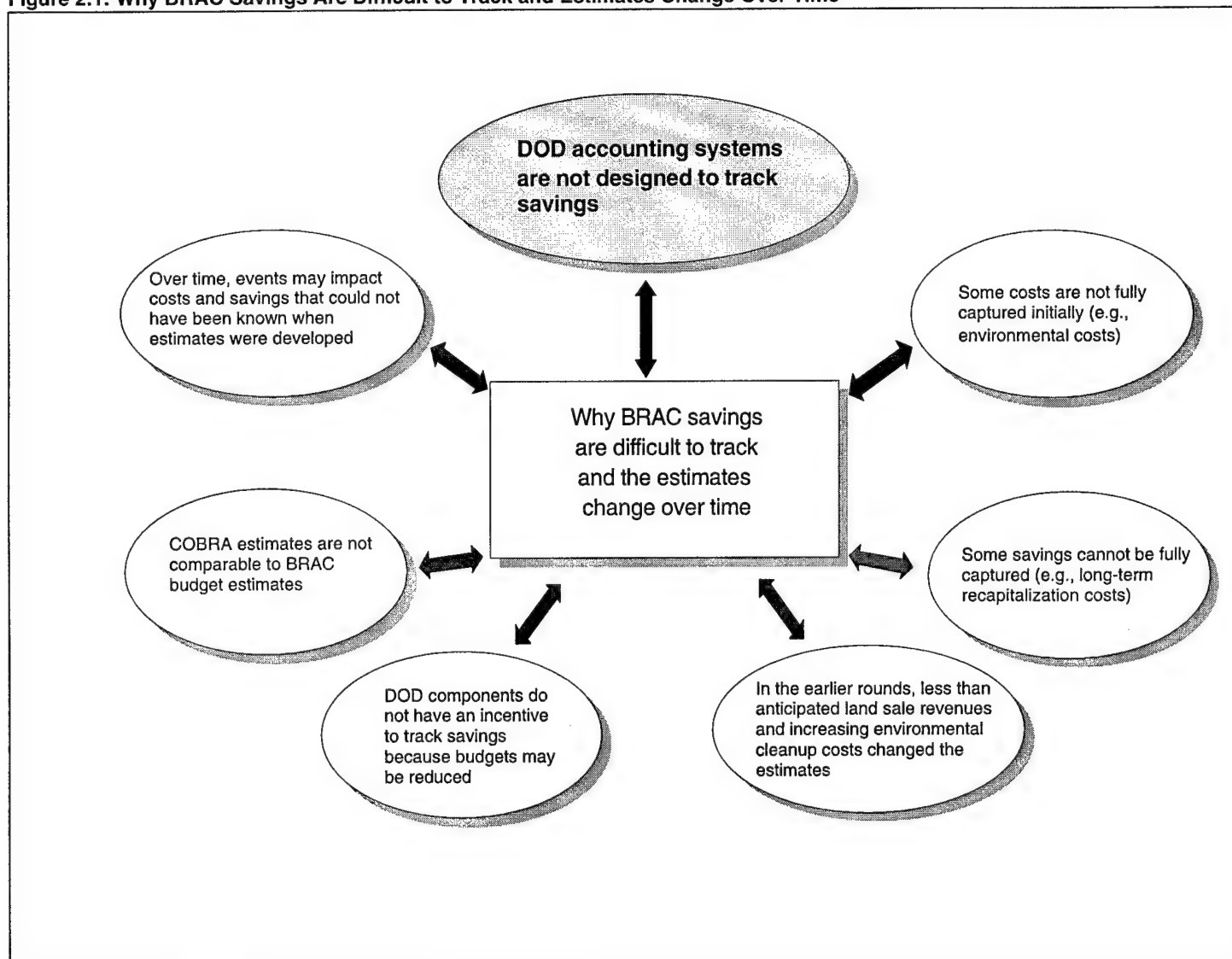
Changes and uncertainties regarding BRAC implementation costs and savings have been caused by a variety of factors, beginning with how the estimates were initially calculated and later updated or tracked. Figure 2.1 highlights a variety of factors that have made it difficult to fully identify and track savings from closures or led to changing estimates of costs over time which affected when savings would begin to offset the costs.

¹Implementation costs encompass (1) constructing new facilities at gaining bases to accommodate organizations transferred from closing bases, (2) remedying environmental problems on closing bases, and (3) moving personnel and equipment from closing to gaining bases. However, in calculating its costs and savings, DOD does not include the cost of federal economic assistance provided to communities affected by base closures. Our 1996 report on the first three BRAC rounds identified about \$780 million in such assistance. This cost, while significant in the short term, is a one-time cost that will not impact recurring savings from BRAC in the long run. See *Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified* (GAO/NSIAD-96-67, Apr. 8, 1996).

²Even though Congress established a 6-year period for closing a base, there are no statutory deadlines for the environmental cleanup process.

³The 1988 and 1990 acts authorizing base closure rounds established closure accounts to fund one-time costs to close or realign bases identified in the BRAC process. There are two accounts. BRAC I was established to fund base closures in the 1988 round. BRAC II was established to fund base closures in the 1991, 1993, and 1995 rounds. The revenues generated from land sales are required to be deposited into this account to offset closure and realignment costs.

Figure 2.1: Why BRAC Savings Are Difficult to Track and Estimates Change Over Time



Source: Our analysis.

DOD derived initial BRAC cost and savings estimates from the Cost of Base Realignment Actions (COBRA) model, which was used in each of the past four BRAC rounds to develop comparative costs of alternative actions. This model, while useful for initial BRAC decision-making, was not intended to

produce budget quality data and was not used to develop the cost estimates in the budgets for implementing BRAC decisions. Furthermore, the model was not used by the Army and the Navy to develop the savings estimates that were reported in DOD's budget justifications for the BRAC accounts. As we previously reported, the Air Force used the COBRA estimates, with adjustments for inflation and recurring cost increases at gaining bases, as the basis for developing its savings estimates.⁴

Differences between COBRA and budget quality data used in implementing BRAC decisions include the following. COBRA estimates, particularly those based on standard cost factors, are averages, which are refined for budget purposes. Further, COBRA costs are expressed in constant-year dollars;⁵ budgets are expressed in then-year (inflated) dollars. Also, COBRA savings estimates reflect the potential closing of a single location and may include broader, DOD-wide costs and savings, recognizing the various DOD-wide impacts of closing installations such as the costs and savings of multiple tenants. BRAC budget estimates, however, are component specific, making it difficult to precisely compare costs and savings between the two sets of data for a given recommendation. Additionally, COBRA estimates do not include the cost of environmental restoration, in keeping with DOD's long-standing policy of not considering such costs in its BRAC decision-making, whereas BRAC budget estimates do.⁶ We have concurred with DOD not considering these costs in developing its cost and savings estimates as a basis for base closure recommendations. At the same time, we agree with DOD's position that environmental restoration costs are a liability to it regardless of its base closure decisions; and we note, these costs are substantial.

A fundamental limitation in DOD's ability to identify and track savings from BRAC closures and realignments is that DOD's accounting systems, like all accounting systems, are oriented to tracking expenses and disbursements, not savings.⁷ Savings estimates are developed by the services at the time

⁴Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified (GAO/NSIAD-96-67, Apr. 8, 1996).

⁵These represent the value of expenditures or costs expressed in terms of purchasing power of a single base year. This excludes the effect of general inflation.

⁶This policy is based on the fact DOD is obligated to restore contaminated sites on military bases regardless of whether they are closed. While such costs are not included in COBRA, they are included in developing BRAC implementation budgets; such costs must be funded from the BRAC account.

⁷See Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified (GAO/NSIAD-96-67, Apr. 8, 1996). We have also reported on fundamental problems with DOD's ability to accumulate reliable cost information. See High Risk Series: Defense Financial Management (GAO/HR-97-3, Feb. 1997).

they are developing their initial BRAC implementation budgets and are reported in DOD's BRAC budget justifications. Because the accounting systems do not track savings, updating these estimates requires a separate data tracking system. The lack of updates is problematic because the initial estimates are based on forecasted data that can change during actual implementation, thereby increasing or decreasing the amount of savings.

We previously found that most of the services and defense agencies did not update their initial estimates of BRAC savings once initial implementing budgets were developed. The BRAC 1990 legislation required that, for fiscal year 1993 and thereafter, DOD submit annual budgets estimating the cost and savings of each closure or realignment, as well as the period in which savings were to be achieved. We believe the savings estimates should be updated to the extent possible to more accurately reflect the expected savings from BRAC actions in the budget submissions sent to Congress. The lack of updates was recently confirmed by a draft Army Audit Agency (AAA) report, which noted that the Army did not require its major commands to update their savings estimates annually or when events occurred that significantly affected the amount of savings.⁸ Based on an initial review of BRAC costs and savings reported by the Air Force and the Navy, DOD IG officials told us the same is true for the Air Force but the Navy has a process for updating its savings estimates. A Navy official also told us that the Navy's savings estimates were reviewed annually and revised during the budget review process. Other DOD officials said that while cost data would be updated in preparing budget requests, original savings estimates were not likely to be updated. DOD officials said that savings estimates are not updated because DOD's accounting systems do not track savings.⁹ Some OSD and service officials said that DOD components do not have an incentive to separately track savings for fear that their budgets would be reduced as a result. Without this information, Congress and DOD are uncertain about the net savings being achieved from BRAC. This information is important for prior BRAC decisions and will also

⁸1995 Base Realignment and Closure Savings Estimates (AA 97-225, draft as of June 1997).

⁹The difficulties associated with estimating and updating savings from a major organizational restructuring are not unique to DOD. Our recent examination of restructuring costs of defense contractors revealed that restructuring savings were not recorded in contractors' accounting records. Therefore, neither the amount nor the nature of the savings could be determined by reviewing the accounting records. We found that savings were therefore an estimate of a cost avoidance over 5 years. We also reported that the initial estimate of restructuring savings was simple in concept because the critical assumption was made that everything else, except for the restructuring, was the same after a business combination as before. Because things were never the same, it was difficult to precisely identify actual savings several years after the initial estimate was prepared. See Defense Restructuring Costs: Information Pertaining to Five Business Combinations (GAO/NSIAD-97-97, Apr. 1, 1997).

be important should future BRAC rounds be authorized. DOD is depending on BRAC savings for future defense programs—thus, the importance of sound estimates of projected savings.

Our experience in examining BRAC implementation issues has also identified fluctuations and variances in the cost estimates. We have reported on some instances where elements of BRAC costs were overstated and others that were understated. Our report on 1988 and 1991 closures and realignments noted that the overall cost of military construction and operations and maintenance associated with the BRAC accounts had decreased.¹⁰ The same report also showed that DOD's experience with environmental restoration estimates showed that initial cost estimates can increase significantly once detailed remediation studies and tests are completed. We noted one instance, for example, where an initial cleanup cost estimate increased from \$11 million to over \$114 million. DOD officials said that estimates of environmental cleanup costs could increase from the initial estimates as additional environmental studies are completed, more work is identified, and cleanup time lines are accelerated. AAA is auditing the environmental cleanup costs of closing Army bases.

DOD audit agencies have also reviewed various aspects of the cost and savings from BRAC. The DOD IG has completed a series of audits comparing most budget requests for BRAC military construction projects with the COBRA estimates, which showed that the budget requests, on average, were 7.9 percent less than original estimates.¹¹ We have reported that the Army, over time, found that BRAC-related personnel costs were less than initially forecast. More recently, AAA completed an audit of the costs and savings estimates for 10 Army BRAC sites. Its draft report indicates that while AAA's cost estimates were much higher than COBRA's, in large part due to including environmental cleanup costs, they were less than those in the Army's implementation plans.¹² It also validated that the closures would result in substantial net savings. The DOD IG is examining the other services' past budgets to determine actual BRAC costs and savings.

¹⁰Military Bases: Revised Cost and Saving Estimates for 1988 and 1991 Closures and Realignment (GAO/NSIAD-93-161, Mar. 31, 1993).

¹¹Summary Report on the Audit of Defense Base Realignment and Closure Budget Data for FYs 1995 and 1996, Office of the Inspector General, U. S. Department of Defense, Report No. 96-093, April 3, 1996. We did not independently verify the accuracy of the data.

¹²1995 Base Realignment and Closure Savings Estimates (AA 97-225, draft as of June 1997).

Some Significant Potential Savings Are Not Captured in BRAC Savings Estimates

Inherent limitations in DOD's accounting systems, as well as the nature of the BRAC process, preclude capturing all potential savings or cost avoidances from BRAC actions.¹³ For example, DOD's facilities are about 44 years old, on average, and must be replaced or revitalized at some point. However, COBRA and BRAC budget estimates only captured short-term recapitalization costs that were programmed in the services' budgets. Also, COBRA cost estimates for the repair and maintenance of facilities were based on average expenditures. It is likely that these estimates underestimated potential future costs, since DOD has significantly reduced its spending for the repair and maintenance of its facilities for the past 10 years, which has led to concerns on the part of some defense officials about growing backlogs in maintenance and repair. As we noted in our report on facilities infrastructure and demolition, DOD's funding for maintenance and repair has declined about 40 percent over the last 10 years, which is far greater than the reduction in square footage of space to be maintained. Thus, base closures can be viewed as representing the avoidance of potentially significant costs that otherwise would be associated with facilities' revitalization at some point in the future.

BRAC Net Savings Have Been Minimized by Policy and Legislative Requirements Impacting Land Sales

Maximizing savings from base closures is limited by the policy and legislative requirements governing property disposal that reduce opportunities for the selling of base property. One reason for the increase in initial cost estimates from BRAC closures was DOD's overly optimistic estimates of land sales revenues, especially in the earlier rounds. Originally, DOD expected to sell land from closed bases and apply the revenues to offset BRAC closure costs. Significant revenues from land sales were initially projected, but the number of acres sold and the amount of proceeds were less than anticipated. For example, in 1990, DOD estimated that the sale of property on military bases closed by BRAC 1988 could raise about \$2.4 billion in revenues. In fact, DOD only received about \$65.7 million in revenue from land sales on those bases between 1990 and 1995. The overestimated land sale revenues resulted partly because DOD overestimated the value of the land and, more significantly, because it did not take into account the effect of priorities set in law for disposal of government property.

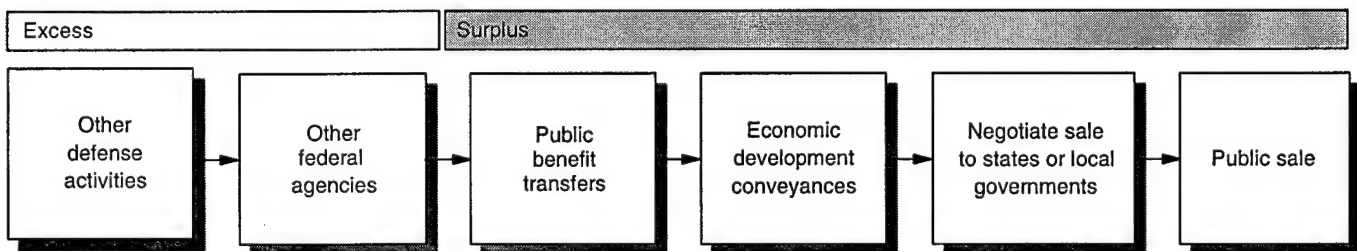
Once property is no longer required by a federal agency, the property is offered to other federal agencies to satisfy their requirements. Property that is not selected by federal agencies is declared surplus to the federal

¹³Cost avoidances are defined as avoidance of costs that have not been budgeted, whereas cost savings are defined as cost reductions from an approved budget that result in program funds being recouped or used elsewhere.

government. At that point, the Federal Property and Administrative Services Act of 1949 authorizes disposal of the property through a variety of means, including public or negotiated sale and transfers to states and local governments for public benefit purposes. Additionally, a 1993 amendment to the BRAC legislation, section 2903 of title XXIX of the National Defense Authorization Act for Fiscal Year 1994, states that under certain circumstances, surplus real property can be transferred to local redevelopment authorities under economic development conveyances for economic development and job creation purposes. This section was created to enable communities to act as master developers by obtaining property under more flexible finance and payment terms than previously existed. For example, a community can request property at less than fair market value if it can show the discount is needed for economic development.

As shown in figure 2.2, local reuse authorities generally seek surplus property under one of the public benefit transfer or economic development authorities because these can be no-cost or no-initial cost acquisitions. If the property reuse does not meet the requirements for these conveyances, then the local reuse authorities can still pursue a negotiated sale without competing with other interested parties. Any surplus property that remains is available for sale to the general public.

Figure 2.2: Usual Procedures for Transferring Property



Source: Our analysis.

The disposal of property by public benefit transfer, economic development conveyance, or noncompetitive negotiated sale can significantly reduce the amount of revenues to offset the cost of implementing BRAC decisions.

For example, the golf course at Myrtle Beach Air Force Base, South Carolina, was conveyed through a public benefit transfer to the city of Myrtle Beach. By doing so, the government relinquished the opportunity to sell the property for \$3.5 million to a private developer who intended to use it as a public golf course.

Options Exist for Reducing Environmental Costs, but Require Trade-Offs Among Competing Objectives

Environmental cleanup of closing bases creates a significant cost that offsets the amount of savings that can be expected from base closures. While we and others have reported the tendency for environmental cleanup costs to increase from the initial cost estimates as more detailed environmental studies are completed, we have also noted that options for reducing these costs exist. Our 1996 report on the high costs of environmental cleanup noted several options for reducing cleanup costs at closing bases.¹⁴ However, we also noted that these options may adversely affect programmatic goals, thereby presenting decisionmakers with difficult choices in developing a cost-effective environmental cleanup program.¹⁵ The options include

- deferring or extending certain cleanup actions,
- modifying laws and regulations,
- adopting more cost-effective cleanup technologies, and
- sharing costs with the ultimate user of the property.

Deferring or extending cleanup actions may delay property transfer and reuse, hurt the economic revitalization of communities affected by the closure process, and harm the environment and health. Modifying laws and regulations may increase environmental risk, thereby increasing public resistance and dissatisfaction. Adopting more cost-effective cleanup technologies may delay the program because new technologies under development may not be available for years and may not be more cost-effective than existing technologies. Sharing costs with the ultimate user could present problems because of unknown future liabilities and difficulty in establishing the value of the property.

The Congressional Budget Office (CBO) has reported that DOD could reduce costs by delaying expensive remediation projects when contamination

¹⁴Military Base Closures: Reducing High Costs of Environmental Cleanup Requires Difficult Choices (GAO/NSIAD-96-172, Sept. 5, 1996).

¹⁵We have not taken a position on these options because of policy and legislative implications associated with them. Rather, we have presented them in the context of trade-offs they represent so that congressional and defense decisionmakers have the information for their consideration as they explore ways to reduce program costs while achieving environmental cleanup goals.

poses no imminent threat and cost-effective technology is lacking.¹⁶ CBO has also stated that in the long run, new cleanup technologies represented the best hope of addressing environmental problems with available DOD funds. A potential opportunity for reducing costs may be found in the Department of Energy, which, in some cases, has successfully placed more emphasis on remediation and less on planning by using "removal actions," which shortened or eliminated some of the planning steps normally required before remediation could begin. For example, removal actions have been used for treating groundwater and surface water, excavating and disposing of contaminated soil, or leaving waste in place and covering it with a protective barrier.

DOD implemented a Fast-Track Cleanup Program as part of the President's July 1993 base closure reinvestment plan to speed the recovery of communities affected by the BRAC program. A key element of the cleanup program is the cooperative relationship between state and federal regulators and the installation restoration program manager—the BRAC cleanup team. This team approach is intended to reduce the time to establish and execute cleanup plans. The program also seeks better integration of cleanup efforts with community-planned base reuse, and it may also help to contain some environmental cleanup costs. DOD reports that over the past 3 years, the program, with DOD and regulators working together, has reduced 150 years of cleanup project work and avoided over \$150 million in costs.

Congress has provided some legislative relief to facilitate rapid reuse of military property while the long process of environmental cleanup proceeds. The National Defense Authorization Act for Fiscal Year 1996 included provisions to increase the feasibility of interim leases, allowing leasing of some parcels to communities that require environmental remediation. More recently, section 334 of the National Defense Authorization Act for Fiscal Year 1997 contains a provision allowing DOD to transfer parcels of land that are not fully cleaned up, if the state's governor agrees. DOD, in consultation with the Environmental Protection Agency, is working on a policy to guide this early transfer authority process uniformly. DOD is encouraging communities affected by BRAC actions to use this new authority. DOD officials believe that this authority should provide significant benefits for affected communities, but it is unclear how it will affect environmental cleanup costs.

¹⁶Closing Military Bases: An Interim Assessment, CBO, December 1996.

Federal Programs and Local Economies Have Helped to Cushion the Effects of Base Closures on Employees and Communities

While defense civilian job loss and other adverse effects on communities are an inescapable byproduct of base closures, at least in the short term, recent studies indicate that, in a number of communities, the local economies appeared to be able to absorb the economic losses, though some communities are faring better than others. Various programs and benefits have been provided to assist employees and communities affected by base closures. While these programs may not have eliminated the pain individuals and communities experience when confronted with the loss of employment and economic activity, there are a variety of indications that these programs have helped to cushion the impact. However, in some cases, it is too soon to tell what the ultimate impact will be.

To help communities to successfully transform closing bases into new opportunities, federal agencies provided over \$780 million in direct financial assistance to areas affected by the 1988, 1991, and 1993 BRAC rounds. This assistance was in numerous forms—planning assistance to help communities determine how they could best develop the property, training grants to provide the workforce with new skills, and grants to improve the infrastructure on bases. DOD estimates that civilian reuse of former bases has created over 30,000 new jobs. For example, state prison facilities and small manufacturing companies will replace 900 defense civilian jobs at Chase Naval Air Station, Beeville, Texas, with 1,500 new jobs.

Several programs and benefits have also been available to assist DOD employees in adjusting to base closures. For example, through the priority placement program, many DOD employees found jobs in other defense and government activities. In another program, homeowners' assistance, DOD has offered to buy workers' homes if they cannot be sold or to provide compensation for some property value losses. In addition, federal, state, and local governments provide other types of assistance, such as unemployment insurance payments and job training, to employees affected by base closures.

DOD projections show that BRAC will have a very small impact on the total U.S. workforce. DOD estimates that BRAC actions will result in the loss of about 107,000 defense civilian jobs over approximately a 12-year period, thus ameliorating the economic effects of the job losses in the short term. While thousands of DOD civilian employees have or will be adversely affected by BRAC actions, about 23,000 of these employees have already found other employment through DOD's priority placement program. However, some of these placements may have required the employees to

relocate to a job outside the community. Employees who looked for jobs in their commuting area may have had to accept jobs with lower incomes.

Base closures also have an indirect impact on jobs in a local community due to the decline of economic activity from the installation and defense personnel who leave the community. In a 1996 RAND report on the effects of military base closures on three local communities, RAND concluded that "while some of the communities did indeed suffer, the effects were not catastrophic (and) not nearly as severe as forecasted."¹⁷ RAND's analysis showed that the burden of defense cutbacks such as base closures tended to fall more on individuals and companies rather than on the community. For example, a base with large civilian employment might displace many workers, but the overall unemployment rate of the community might remain relatively stable. According to the study, the effects on the local community were especially cushioned when a base was near or within a metropolitan area because the large economy absorbs any job loss or economic impact. RAND found, like others, that the impact on nonurban communities could be greater than on urban communities. However, it demonstrated that economies of all types of communities can also be affected by longer term patterns of population and economic growth; the redirection of retirees' retail and medical expenditures from the base to the local community; and the withdrawal of working spouses from the local labor market, freeing up jobs for local citizens.

In a June 1996 report, the Congressional Research Service (CRS) analyzed employment level data and found that 33 of 163 localities affected by BRAC actions had unemployment rates of 5.9 percent or more in May 1995.¹⁸ However, a majority of the localities had unemployment rates that were near to or well below the U.S. rate of 5.7 percent. Of the 33 localities, 22 were concentrated in three states: California (14 localities), Louisiana (5 localities), and Texas (3 localities). CRS concluded from its analysis that most communities affected by BRAC actions from any one of the BRAC rounds "have a relatively low degree of economic vulnerability to job losses that are estimated to result from these actions." CRS also analyzed the effect of the 1995 round on state employment rates and concluded that the 1995 round would have little effect on the employment levels in the

¹⁷The Effects of Military Base Closures on Local Communities: A Short-Term Perspective, RAND National Defense Research Institute, 1996. The report used a case study approach to examine the impact on nearby communities of three base closures in California; George Air Force Base, Fort Ord, and Castle Air Force Base. We did not independently test the validity of the study results.

¹⁸Military Base Closures Since 1988: Status and Employment Changes at the Community and State Level, CRS, June 17, 1996. We did not independently test the accuracy of the data.

22 affected states, with job losses amounting to 0.4 percent or less of total state jobs.

Conclusions

The experience from the past BRAC rounds has raised concerns about the amount of actual savings from base closures and the impact of closures on communities. However, available data indicate that savings from BRAC should be substantial. At the same time, precisely quantifying actual savings is difficult for a variety of reasons, and questions remain about the overall accuracy of DOD's estimates. Since DOD's accounting systems do not track savings, updating the savings estimates requires some effort on the part of DOD components. We have found that the savings estimates were not always updated and that guidance for estimating and updating the savings estimates has been insufficient. In some cases, certain cost elements affecting the savings estimates have not been updated to reflect significant changes that have occurred as implementation proceeds. Such changes could increase or decrease the amount of expected savings and need to be identified since DOD is relying on savings from BRAC to free up funds for other defense areas. Improved guidance on estimating savings could benefit current efforts to track savings from previous rounds and will likely be important should there be future rounds. However, we also found difficulties in estimating and fully capturing some savings from BRAC, suggesting that despite the need for greater emphasis on capturing and updating savings, some level of imprecision is likely to continue.

A significant up-front cost of base closures is environmental cleanup of base property. Though DOD has taken several steps to facilitate progress in cleaning up property on closing bases, more improvement is needed from all participants in the cleanup process. DOD, Congress, regulators, and communities will need to continue working together to find cost-effective solutions to environmental restoration of closing bases, recognizing that some trade-offs among cost, reuse, and time may be necessary.

Though the closing of a base can be a traumatic event to any community, early studies and experience provide examples of communities that are recovering from the economic impact and loss of jobs. The federal government provides several forms of assistance to affected communities, and bases are being successfully reused.

Recommendation

Whether or not Congress authorizes future BRAC rounds, DOD needs to improve its periodic updating and reporting of savings projected from

Chapter 2
Important Lessons From Prior BRAC
Rounds Regarding Savings, Closure Costs,
and Economic Impact

prior BRAC decisions. This information is needed to strengthen DOD's budgeting process and ensure that correct assumptions are being made regarding expected reductions in base operating costs. Accordingly, we recommend that the Secretary of Defense provide guidance to ensure that its components have and follow a clear and consistent process for updating savings estimates associated with prior BRAC decisions.

Authorizing Legislation Needed If Future BRAC Rounds Are to Be Held

Special enabling legislation used in the three most recent BRAC rounds expired at the end of 1995. Should the need to authorize one or more additional rounds in the future arise, similar legislation would be needed. Questions would likely be raised concerning the use of and changes to the previous legislative authority, the number of rounds to be authorized, and the timing for such rounds. It is unclear how legislation dealing with the consolidation and restructuring of DOD's laboratories and test facilities would relate to any new BRAC legislation.

1990 Legislation Provides an Effective Model for Future BRAC Rounds

The Defense Base Closure and Realignment Act of 1990, as amended, authorized the Secretary of Defense, with the approval of the President and Congress, to close and realign military bases and dispose of excess property as determined during the three most recent BRAC rounds. Many individuals who participated in the BRAC process, including officials from OSD, the services, and the 1995 Commission, widely agreed that the 1990 legislation, as amended, provided a sound framework for closing and realigning bases. Some individuals expressed concern over the role of politics in the process. We recognize that no public policy process, especially one as open as BRAC, can be completely removed from the U.S. political system. The process has several checks and balances to keep political influences to a minimum, but the success of these provisions requires that all participants of the process adhere to the rules and procedures.

Key elements of the legislation that address historic concerns about the fairness and objectivity of the base closing process include

- selection criteria for identifying candidates for closure and realignment that are made available for public comment;
- an independent commission to review DOD's proposed closures and alignments and finalize a list of proposed closures and realignments to be presented to the President and, subject to the President's approval, to Congress;
- requirement for the BRAC Commission to hold public hearings;
- data certified as to their accuracy;
- imposition of specific time frames for completing specific portions of the process;
- requirement for the President and Congress to accept or reject the Commission's recommendations in their entirety; and
- an external audit of the BRAC process.

Although DOD and other officials agreed that the legislation should serve as a model for additional rounds, some believed the time lines mandated by the legislation were tight. The process began when the Secretary of Defense made recommendations for base closure and realignments to the BRAC Commission. The Commission proposed additions and deletions to the Secretary's recommendations and then submitted its analysis of the Secretary's recommendations along with its own recommendations to the President, who transmitted the approved recommended list to Congress. These milestone dates occurred within 6 months. The time lines for each step of the process were tight to force the participants at each stage to pass on their decisions to the next group of decisionmakers. Though some officials told us that they could have used more time for analysis, most agreed the time lines should be tight because they kept the process moving and helped force decisions.

Issues to Consider in Enacting Future BRAC Legislation

Consideration of new BRAC legislation would include determining how many rounds to authorize, when the future round(s) would be held, and how much lead time would be required to undertake a BRAC round.

How Many Additional Rounds Are Needed?

We received various comments about the number of future BRAC rounds that might be needed. For example, the Defense Science Board's 1996 summer study, published in November 1996, noted that there is still considerable excess base capacity in DOD. It suggested three additional rounds of base closures, one every other year. The May 1997 report of the QDR recommended two additional BRAC rounds: one in 1999 and another in 2001.

Some individuals suggested that efforts should be made to accomplish additional base closures with one additional BRAC round, but some suggested that more than one might be needed because closing all of the excess bases in one round might be cost prohibitive. In our 1995 report to Congress and the BRAC Commission concerning the Secretary of Defense's recommendations for closures and realignments, we reported that the high up-front cost of closures was a factor in some bases not being recommended for closure in that round.¹ The extent to which this would be the case in future BRAC rounds could be dependent on the willingness of

¹Military Bases: Analysis of DOD's 1995 Process and Recommendations for Closure and Realignment (GAO/NSIAD-95-133, Apr. 14, 1995).

DOD, and Congress, to make the up-front investment needed to close unneeded military bases.²

Some officials suggested that current efforts within DOD and the services to outsource, privatize, and consolidate certain functions and activities could help reduce infrastructure requirements, indicating even more need for base closures. To what extent and how quickly these efforts will identify or produce additional excess capacity remain to be seen. Privatization and outsourcing are expected to take place over the next several years, and the results will likely not be fully known for inclusion in any additional base closure action taken within the next few years.

One DOD official said that whether or not another BRAC round is held in the near term, a BRAC effort might be needed within the next 10 to 15 years based on developments in advanced weapon systems that could provide the United States with much greater war-fighting capabilities and lead to changes in DOD's force and infrastructure requirements. Such developments suggest that more than one BRAC round might be needed in the future. Views varied whether more than one round should be authorized at a time. One official said that if more than one BRAC round is necessary, only one round should be authorized at a time because DOD should be required to validate the need for a BRAC round each time and maximize its results. Another official suggested that multiple rounds should be authorized, if possible, because congressional willingness to authorize additional rounds would decrease over time. This official noted that subsequent rounds could be canceled if OSD leadership later determined they were not needed. The National Defense Panel, in its May 15, 1997, endorsement of the Secretary's plan to request authority for two additional BRAC rounds, also stipulated that permanent BRAC authority would be most desirable to facilitate adjustments in the base structure as needs and forces change.

Our own experience with the BRAC process and assessment of the situation cause us to believe that if future BRAC rounds are considered, the maximum number of closures should be accomplished in the fewest rounds possible to minimize the (1) anxiety and turmoil associated with the BRAC process and (2) potential investment costs at installations that might be closed in the future. Such investments could occur as DOD continues its efforts to revitalize its facilities, such as new housing programs in which DOD is looking to leverage private sector resources.

²The up-front investments include the costs of environmental cleanup, relocation, and military construction at the receiving sites. See chapter 2 for more information on BRAC closure costs.

When Should Future Rounds Be Held?

The 1995 BRAC Commission noted that in 1995 the Secretary of Defense suggested the need for an additional round of closures and realignments in 3 to 4 years, after DOD had absorbed the effects of the closures and realignments from the 1995 and earlier rounds. The Commission noted that DOD would be implementing the closures and realignments of the 1995 and prior BRAC rounds through the end of this decade and possibly to 2001, the end of the statutory period authorized for completing closures from the 1995 round. Thus, it recommended that Congress authorize another base closure commission similar to the prior commissions for 2001. Others, including some congressional members, have stated that future BRAC rounds should not be held until DOD has had time to implement decisions of prior rounds. As already noted, the May 1997 QDR report recommended BRAC rounds in 1999 and 2001.

That some view additional BRAC actions as a pressing need is seen in the recommendation of the Defense Science Board's 1996 summer study: it suggested that three additional BRAC rounds be held—in 1997, 1999, and 2001. However, given the lengthy time frames required to initiate and execute a BRAC round, as indicated in chapter 1 and appendix I, 1999 would appear to be the earliest practical date for any future BRAC round. Several officials suggested that any future BRAC round should not be held in an election year because of political concerns that can arise during the BRAC process. Based on our experience with the BRAC process, we agree. Given that congressional or presidential elections will be held in 1998 and 2000, those would be less desirable years in which to hold a BRAC round and finalize BRAC decisions. Thus, 1999 or 2001 is the most practical date for future BRAC rounds, although 1999 might be difficult from a planning standpoint, particularly if the intent is to maximize reductions with just one additional BRAC round.

How Soon Would Authorizing Legislation Be Needed?

Given the history of previous BRAC rounds, at least 12 to 18 months advance planning time, if not longer, would be needed to plan for a future BRAC round. While the time frames specified by the legislation for decision-making during a BRAC round are compressed into a 6-month period, much greater advance working time is required to provide policy guidance, establish BRAC decision-making organizations within the services and defense agencies (otherwise referred to as DOD components), and begin the process of identifying candidate bases to be studied for potential closure and realignment. Thus, the actual decision-making process can take between 18 months and 2 years. (See app. I for a summary of the BRAC

decision-making process, including key legislative requirements associated with the 1990 act.)

For a BRAC round to be held in 1999, legislation should be enacted during the 1997 legislative session. The need for early action on legislation before a future BRAC round is underscored by the fact that, unlike recent BRAC rounds, the termination of recent BRAC authority resulted in a complete shut down of the BRAC Commission organization and termination of staff who had been kept in place between recent BRAC rounds. Likewise, many staff in DOD and the services who provided continuity from one BRAC round to another have moved on to other work or retired. Therefore, it is uncertain to what extent future BRAC rounds will benefit from the experience and knowledge of many of the past BRAC participants.

The loss of institutional knowledge and experience in the BRAC process, particularly within DOD and the services, could marginally add to the lead time required to prepare for a future BRAC round. This situation, along with the normal lead time required to initiate a BRAC program, will need to be considered in authorizing any future BRAC round.

Relationship of BRAC to Other Potential Legislation for Restructuring Laboratories and Test Facilities

One related situation that might need to be addressed in the realm of new BRAC legislation is the possible relationship between new BRAC authority and DOD's plans for implementing section 277 of the National Defense Authorization Act for Fiscal Year 1996. This section directed the Secretary of Defense to develop a 5-year plan to consolidate, restructure, and revitalize DOD's laboratories and test and evaluation centers. The Secretary is to specify the actions needed to consolidate the laboratories and centers into as few facilities as practical and possible, by October 1, 2005.

DOD's 1996 Vision 21 report to the President and Congress summarizes reductions made in DOD laboratory and center infrastructure through the BRAC processes and outlines how DOD will develop a detailed plan for the laboratories and centers for the 21st century by July 1998.³ One option in the report is to reduce the laboratory and test and evaluation infrastructure each by at least 20 percent. It remains to be seen if this option will result in the (1) consolidation of organizations and operations on an intraservice or interservice basis and (2) elimination of enough excess capacity so that additional facilities can be closed. A Vision 21 study team is developing a questionnaire to collect data for the analysis of

³Report to the Congress: Vision 21, The Plan for 21st Century Laboratories and Test and Evaluation Centers of the Department of Defense, April 30, 1996.

facilities that will be used as a basis for decision-making. However, given the limited success of similar studies in the past, including BRAC 1995, we question whether service officials, operating on their own, will be able to agree on large-scale consolidations, restructuring, and interservicing. This issue is further discussed in chapter 4.

Section 277 also stipulated that in developing a plan for restructuring these facilities, DOD should identify any legislation needed to accomplish the effort. The May 1997 QDR report noted that DOD would seek authority for two additional BRAC rounds and for the restructuring of laboratories, research, development, and test facilities. It did not stipulate to what extent separate legislative provisions, apart from BRAC authority, might be sought for these facilities or to what extent they would be studied apart from the traditional BRAC process.⁴ It should be noted, however, some of these facilities are collocated with other mission functions on given installations. Also, given the large land areas associated with some test ranges, the potential for single or joint use of some of these facilities by combat forces and testing organizations could be considered, thereby providing expanded training capabilities and greater efficiencies in base operating costs; this, in turn, could result in a base closure elsewhere. Thus, even if a separate study process is used to examine consolidation and restructuring of laboratories, research, development, and test facilities, the BRAC process would appear to be the most appropriate process to consider closing or realigning bases on which these functions reside.

Conclusions

Officials we contacted generally told us that the 1990 legislation provided a sound framework for closing and realigning military bases. If future legislation is considered, DOD and Congress will need to address how many rounds to authorize and when to hold them. Various views have been expressed concerning the number and timing of BRAC rounds. Ideally, any future legislation should try to minimize the anxiety and turmoil associated with the BRAC process by maximizing results in the fewest number of rounds. These goals will have to be balanced by budget and planning realities, recognizing that closure rounds may also need to coincide with force structure changes and budget constraints. The timing of future rounds should reflect (1) the past practice of avoiding rounds during election years and (2) the lead time needed for DOD and the Commission to organize and educate a new group of people. Finally,

⁴We are reviewing successful laboratory consolidations undertaken by the federal government, the private sector, and a foreign government agency that resulted in cost savings or more efficient operations, with a view toward identifying applications to the U.S. government.

future BRAC rounds might have to incorporate other initiatives such as the consolidation of laboratories and test and evaluation facilities mandated by section 277.

Matters for Congressional Consideration

If Congress considers legislation for future BRAC round(s), it may wish to (1) model it on the 1990 BRAC legislation as a starting point, (2) pass such legislation early to allow the lead time needed for DOD and the Commission to organize their processes, and (3) consider the relationship between new BRAC authority and section 277 of the National Defense Authorization Act for Fiscal Year 1996 pertaining to laboratories and test and evaluation facilities.

Steps DOD Can Take to Enhance Decision-Making Should There Be Future BRAC Rounds

The 1990 BRAC legislation and the processes for executing that legislation established a strong, workable process for BRAC decision-making. Even so, DOD and its components improved their processes during each round to overcome shortcomings. If Congress authorizes future BRAC rounds, DOD and its components will have the opportunity to further improve their processes. The greatest improvement, however, will require strong OSD leadership to resolve important policy issues before any future BRAC rounds.

Success Will Depend on Resolution of Key Issues Before Future BRAC Rounds

In prior rounds, the Secretary of Defense's list of bases recommended for closure and realignment was little more than a collection of the lists the services submitted to him. Although large amounts of excess capacity were identified DOD-wide, especially in the support functions, each service resisted moving its work to the other services' facilities. While the BRAC process dealt with basing decisions effectively, it did not provide an effective forum for resolving cross-service policy issues. Officials said that the success of any future BRAC round would depend on stronger leadership by the Secretary of Defense to address key policy issues before the round begins.

In the 1993 round, OSD directed the services to prepare integrated proposals, with cross-service inputs, to streamline DOD depot maintenance activities and increase efficiency.¹ Each service was to identify its excess maintenance capacity, and each was assigned lead responsibility for a specific maintenance area. However, as noted in our report on the 1993 BRAC process, no BRAC recommendations resulted from these efforts. According to several service officials at that time, the services had difficulty overcoming their narrow view of their own depots; thus, a general consensus could not be reached, especially on issues pertaining to estimating costs. Also, the short time frame within which the services had to complete their work impeded this cross-servicing effort.²

For the 1995 BRAC round, OSD again required the services to explore opportunities for the cross-service use of common support assets in the

¹A Joint Chiefs of Staff Executive Working Group's study of DOD maintenance depots concluded then that the depots had between 25 and 50 percent excess capacity and that the service depots had unnecessary duplication. Our recent work indicates that, based on maximum potential capacity measurements, and considering funding and workload reductions that have occurred in recent years, DOD is expected to still have excess depot capacity of about 50 percent in fiscal year 1999. (See *Defense Depot Maintenance: Uncertainties and Challenges DOD Faces in Restructuring Its Depot Maintenance Program*, GAO/T-NSIAD-97-111, Mar. 18, 1997).

²*Military Bases: Analysis of DOD's Recommendations and Selection Process for Closures and Realignments* (GAO/NSIAD-93-173, Apr. 15, 1993).

areas of (1) maintenance depots, (2) laboratories, (3) test and evaluation facilities, (4) undergraduate pilot training, and (5) medical treatment facilities. To facilitate this process, DOD established separate cross-service working groups in each of these areas that complemented the BRAC review organizations operating within each of the services. The groups were supposed to propose alternatives for the services to consider. Although these groups identified large amounts of excess capacity across DOD, few facilities were closed, and the services' final recommendations for closures and realignments in these areas moved very little work from one service's facilities to another.

Officials indicated that, in retrospect, the cross-service groups had little impact on service decisions in the 1995 round for several reasons. First, key policy decisions that could drive decision-making had not been made in advance. For example, executive agents for specific functions were not designated nor were joint or lead-service responsibilities assigned. Second, the groups provided their proposals late in the process, when the services were completing analyses of their own installations. Finally, the services continued to differ about how to assess and compare their facilities.

An overarching concern of participants in the process was that OSD provided insufficient leadership to bring about the services' agreement to share assets, consolidate workloads, or reduce excess capacity in common support functions—decisions that the services, because of their individual, parochial interests, could or would not make. Service officials said that if further BRAC rounds occur, up-front decisions must be made about which service(s) will be responsible for which functions. They said that service parochialism remains such that the Secretary of Defense must make the tough decisions, not the services. We believe the Secretary's Task Force on Defense Reform, in conjunction with the QDR and its National Defense Panel, could help resolve some of the organizational and policy issues that would contribute to the success of future rounds of base closures, should Congress authorize them.

In his May 19, 1997, report to Congress on the QDR, the Secretary asked Congress to authorize domestic base closure rounds in 1999 and 2001. On May 15, 1997, the Secretary announced that he had established a high-level Task Force on Defense Reform to go beyond the recommendations of the QDR and develop a blueprint for further streamlining and reforming DOD's organizations and procedures. The Task Force is to report to the Secretary by November 30, 1997, and is to recommend organizational reforms,

reductions in management overhead, and streamlined business practices. It will focus on OSD, the defense agencies, DOD field activities, and the military departments. One goal of the Task Force is to eliminate unneeded organizations, functions, and personnel. The Task Force is to work closely with the National Defense Panel, an independent, congressionally mandated review board that will assess the Quadrennial Defense Review.

Opportunities for future cross-service cooperation and consolidation include, and extend beyond, the five support functions considered in BRAC 1995. The following examples illustrate the types of actions that could result in reduced excess capacity, minimized support costs, and the success of future BRAC rounds, if made in advance of the round.

- Decide what lead responsibilities will be assigned to each service in cross-service areas, such as depot maintenance, training, and medical facilities, and what operational responsibilities will be assigned to a joint or OSD-led agency.
- Determine to what extent (1) DOD medical infrastructure is needed to meet war-fighting requirements and (2) capacity exceeding those requirements will be retained for use by military dependents and retirees.
- Determine what core support work needs to be done in house.
- Determine to what extent OSD and the Joint Chiefs of Staff will emphasize joint basing in the future as they increase joint training and operations.
- Assess the potential for the increased sharing of bases on an interservice or intraservice basis to maximize the use of available training ranges and other facilities.
- Determine, to the extent practical, whether (1) overseas basing is likely to continue at the current level or be reduced and (2) contingent capacity for basing in the United States needs to be retained.
- Ensure that each service has fully assessed the potential for organizational restructuring and realignments in light of recent force structure reductions and changes.

Improvements Warranted in Other Aspects of DOD's Process for Identifying Bases for Closure

As indicated in chapter 2, the officials we interviewed said the basic framework for BRAC rounds outlined in the 1990 legislation should not be changed. They also said the eight criteria used for BRAC decision-making and the priority given to military value in selecting bases for closure and realignment had served the process well and should be retained. A former BRAC commissioner noted that one of the key elements of the BRAC process has been its consistency over time. But several officials believed the way in which some of the criteria were used in the decision-making process

could be improved. For example, DOD could improve the COBRA model, the questionnaires for collecting data from bases, and audit access.

Soundness of Criteria

The 1990 BRAC legislation required that the Secretary of Defense publish in the Federal Register the selection criteria proposed by DOD in making recommendations for closure and realignment and provide the opportunity for public comment. The eight criteria adopted by DOD for the 1991 BRAC round were not changed in the two succeeding rounds. The first four criteria provided DOD's assessment of military value and were given the greatest weight in the BRAC selection process.³ The remaining four criteria dealt with return on investment (when accrued savings would outweigh cost of closure), environmental and economic impacts, and the ability of both existing and potential receiving communities' infrastructures to support forces, missions, and personnel.

Suggestions for Strengthening How the Criteria Are Used for Making Decisions

While most officials we contacted said the eight BRAC criteria should be retained, some identified ways to improve how DOD and its components used the criteria for decision-making. They were particularly concerned with the high costs of environmental restoration (criteria 8) and the exclusion of these costs from BRAC decision-making.⁴ Some noted that high closing costs in general were an impediment to more closures in the 1995 round and said that those costs, as well as environmental restoration costs, could be even more problematic in the future. Likewise, the 1995 report of the BRAC Commission recognized continuing concerns about the exclusion of environmental restoration costs and recommended that the policy be reviewed for any future base closures. On the other hand, several officials we interviewed pointed out the difficulty of determining the full cost of environmental restoration before completing detailed remediation studies. There is no consensus on this issue. One official suggested DOD include the estimated cost of accelerated or unique environmental restoration costs, to the extent known during the decision-making stage of the process, in its COBRA calculations.

³Only the Air Force included the fifth criteria, return on investment (including cost of closure), in its initial analysis of its bases and did not establish a distinct military value for its bases. This and other factors noted in our 1995 report contributed to a lack of clarity in the Air Force's BRAC decision-making process.

⁴Environmental restoration cost is a separate issue from environmental impact, which is included in the eight BRAC criteria. The environmental impact criterion required that the components consider the impact of BRAC actions on such environmental issues as threatened or endangered species, wetlands, flood plains, water supplies, and air quality. It did not deal with the issue of the cost of environmental restoration.

Despite significant DOD efforts to improve the COBRA model during previous BRAC rounds, several officials pointed out shortcomings during the 1995 round.⁵ The 1995 BRAC Commission's report noted that even after four rounds, the services still differed about how to use the COBRA model to estimate savings and costs in areas like personnel, moving costs, and locality pay. Since the model was used to make comparisons between bases, greater consistency in its application was an issue to BRAC Commission personnel and others who examined BRAC issues on a cross-service basis. Some officials suggested that if there are future rounds, DOD and the services should begin working in advance to enhance the completeness and consistency of COBRA cost factors and analyses within and among DOD's components, to the extent practical. Some recognized that given the nature and time frames of the BRAC decision-making process, it was not likely that the COBRA model, or any other model, would provide budget quality data before closure decisions are finalized.

Another cost-related issue of some concern involved DOD's and the 1995 BRAC Commission's use of a discount rate to calculate the present worth of future savings, known as the net present value. The 1995 BRAC Commission expressed concern with DOD's use of a yearly revised discount rate, preferring a standardized rate that could be used to compare projected net savings in each round. In 1991, DOD used a 10-percent discount rate; in 1993, a 7-percent rate; and in 1995, a 2.75-percent rate. The lower the discount rate, the greater the net present value of savings.⁶ Our April 1995 report on DOD's BRAC 1995 round noted that DOD had used a discount rate tied to the U.S. Treasury's borrowing rate—an approach that we and others considered appropriate for analyzing programs in which a given objective is to be achieved at the lowest cost. At that time, most preliminary BRAC 1995 COBRA analyses were done by DOD components, and the discount rate was 2.75 percent for 20-year programs. That rate was revised by the Office of Management and Budget to 4.85 percent about a month before the Secretary announced the bases recommended for closure and realignment. However, DOD did not change its COBRA analyses to use the revised discount rate, nor did the BRAC Commission use the revised rate in its subsequent analyses. If in any future rounds DOD plans to

⁵See *Military Bases: Analysis of DOD's 1995 Process and Recommendations for Closure and Realignment* (GAO/NSIAD-95-133, Apr. 14, 1995) for a summary of efforts to improve the COBRA model prior to the 1995 round.

⁶Our 1995 report on DOD's recommendations for base closures noted that the 20-year net present value on projected savings from the Secretary's proposals was nearly \$22 billion using a 2.75-percent discount rate; conversely, the savings would be approximately \$17 billion using a 4.85-percent discount rate.

use a discount rate, we believe that the U.S. Treasury's borrowing rate is an appropriate one to use, but its use should be tied to the currently approved rate. The value of using a real-world discount rate that reflects the current cost to the government of borrowing could be lost if discount rates were artificially set simply for the purpose of equal comparisons among BRAC rounds.

Some individuals suggested that DOD and its components, in comparing commercial and industrial-type facilities, should emphasize the cost of doing business. In examining the history of BRAC, we found that this issue had been raised in discussions within DOD in earlier BRAC rounds. DOD believed that the cost of doing business may be more important for industrial-type activities than for operational bases but that decisions to close or realign industrial activities must be based on an activity's ability to contribute to defense missions and readiness capabilities. In the 1995 round, DOD considered issuing policy guidance emphasizing that the cost of doing business is an important part of military value for industrial activities and that it should be examined under the fourth criteria, which is "cost and manpower implications."

Data Gathering and Analysis

A number of officials commented on the lengthy data requests that bases had to respond to in conjunction with DOD components' assessments of their bases. While some saw this as a growing burden and questioned to what extent all of the data were actually used in decision-making, others saw benefits in having the extensive data to fully assess individual bases. Some also saw a benefit in having consistent data requests and analyses from one round to the next. No clear consensus for any change seemed to emerge other than that prior BRAC rounds had eliminated all but the best bases and that distinguishing between individual bases could become increasingly difficult in future rounds. The implications were that a few characteristics could be key to distinguishing between some bases in the future and should be kept in mind by the components in developing their data calls.

Several officials we interviewed also noted that in BRAC 1995 some bases had to respond to data requests from a cross-service group as well as to data requests from their service headquarters. This was an extra burden and could be avoided if cross-service reviews were completed before the services' BRAC processes began.

Audit Coverage

The 1990 BRAC legislation required that we provide the BRAC Commission and Congress a detailed analysis of the Secretary of Defense's recommendations and selection process. The service audit agencies and, in BRAC 1995, the DOD IG were also extensively involved in auditing the process to better ensure the accuracy of data used in decision-making and enhance the overall integrity of the process. In most instances, service audit agencies and the DOD IG made assessments of special cost or analytical models used in decision-making and verified data entries and output pertaining to these models. They referred errors to the components on a real-time basis to ensure needed corrections were made. In most cases, we provided broader monitoring of the process and reviewed and assessed the results of the audit agencies' work. In selected instances, we observed the work of the audit agencies in making their assessments. Originally, our report was to be completed within 30 days of the date of the Secretary of Defense's making public the list of bases recommended for closure and realignment; the legislation as amended, gave us 45 days to complete our report on the 1995 BRAC round.

The tight time frames under which we operated required that we have access to the BRAC decision-making processes as they were unfolding within DOD and the services, rather than after the Secretary had submitted his recommendations to the Commission. Accordingly, we monitored the process for nearly a year before the Secretary submitted his proposals to the 1995 Commission and made a more detailed analysis once the list was finalized. We also coordinated with the service audit agencies and the DOD IG, which audited the individual components' data gathering and analysis processes. Our broader, DOD-wide focus allowed us to compare and contrast processes the components used and to identify potential problem areas while the processes were still underway and resolution was most needed.

DOD and its components granted us varying degrees of access to their processes. For example, the Defense Logistics Agency, which encountered problems in the 1993 round, invited us to monitor all phases of its decision-making process in 1995, including executive-level sessions at which BRAC issues were discussed and decisions made. This greatly facilitated our ability to monitor the process as it was unfolding and provided us with opportunities to address issues and potential problem areas during the process. Somewhat less, but reasonable, levels of access were granted by other DOD components, except for the Air Force. The Air Force granted very limited direct access to its process until after the Secretary of Defense announced his recommendations on

February 28, 1995. This limited our ability to fully assess the Air Force's process.⁷ If we are to play a monitoring role in any future BRAC round, this issue needs to be addressed.

Conclusions

If there are future BRAC rounds, as requested by the Secretary of Defense on May 19, 1997, DOD can improve its process for deciding which bases to recommend for closure and realignment. Most importantly, DOD must resolve certain policy issues in advance to ensure the success of a future BRAC round. In particular, the services must share assets, consolidate workloads, and reduce excess capacity in common support functions; up-front decisions must be made about which service(s) will be responsible for which functions; and the services must fully assess the potential for organizational restructuring in view of recent force structure reductions. Resolution of these and other issues requires strong, decisive leadership by the Secretary of Defense. We believe the Secretary's Task Force on Defense Reform, in conjunction with the Quadrennial Defense Review and its National Defense Panel, could help the Secretary deal with these issues.

Other improvements to DOD's BRAC decision-making processes are also desirable, should legislation be enacted authorizing one or more future BRAC rounds. Several steps could be taken to more fully and consistently capture costs and savings associated with BRAC options being considered. These include clear and timely policy guidance and early joint-service efforts to improve the COBRA model and any other BRAC decision-making tools and to ensure more consistency among the services in applying these tools and the BRAC criteria. In particular, the Air Force needs to improve the clarity and visibility of its BRAC decision-making process.

Given DOD's obligation to clean up bases whether they are closed or not and the difficulty of determining the cost of environmental restoration before completing detailed remediation studies, we continue to believe that this is not a cost of closure and should not be included as a factor in deciding which bases to close. However, to the extent there are marginal costs associated with expedited cleanup resulting from BRAC closures, DOD may want to examine the feasibility of including these costs in its costs and savings analyses. If there are future BRAC rounds, we believe DOD and the BRAC Commission should use the discount rate tied to the U.S.

⁷Several officials noted that the transparency of BRAC decision-making was less clear in the Air Force than in the other DOD components. This and other factors raised many questions about the openness and objectivity of the Air Force's process and heightened concerns about politicization of the BRAC process in 1995.

Treasury's borrowing rate to calculate the present worth of future savings, known as the net present value. Finally, if we are to play a monitoring role in any future BRAC round, we must have full access to all parts of DOD's BRAC processes.

Recommendations

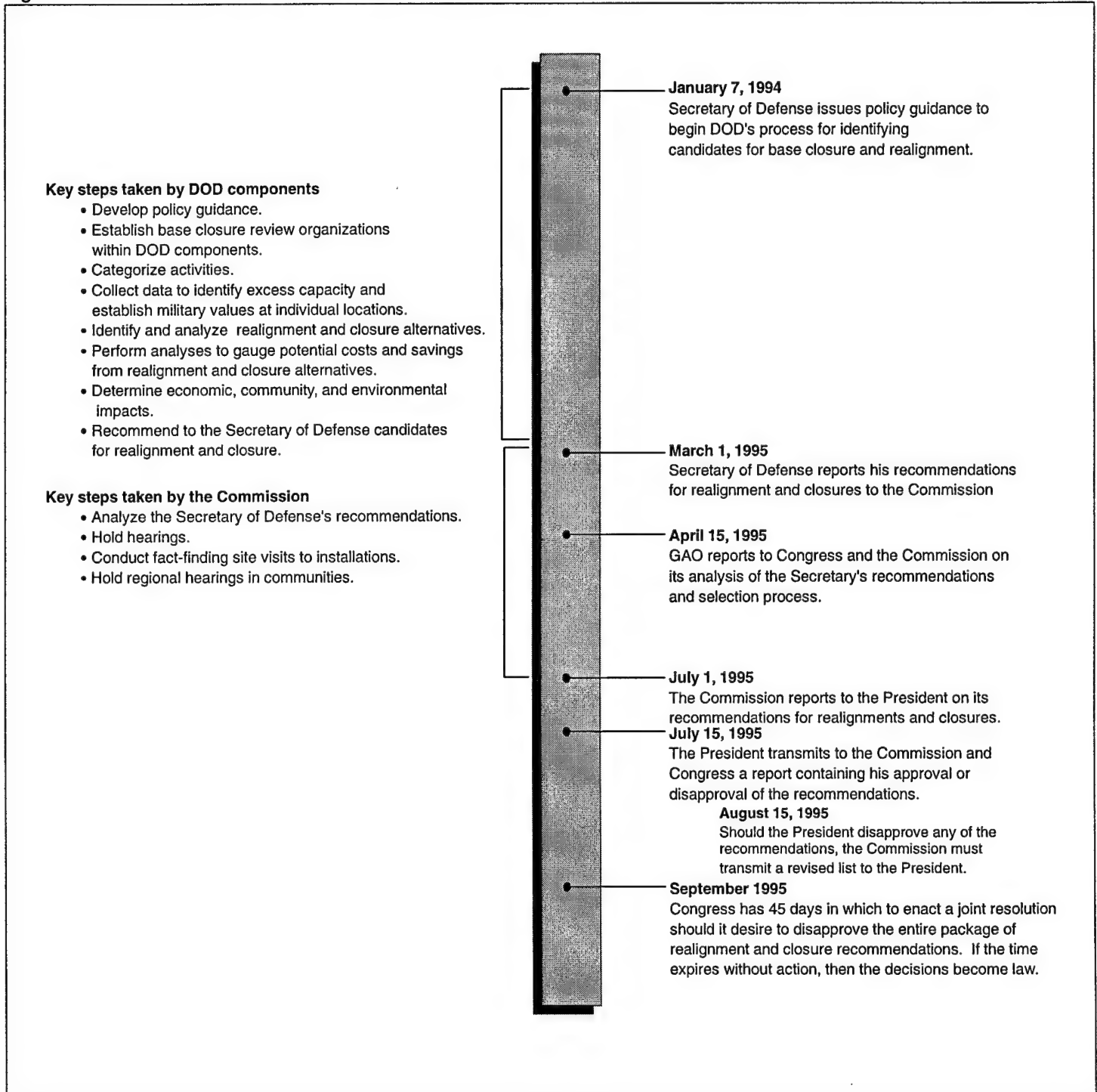
If Congress authorizes future BRAC rounds, we recommend that the Secretary of Defense

- work with the Task Force on Defense Reform and the National Defense Panel to address, in advance of any future BRAC round, the important organizational and policy issues in the various cross-service areas discussed in this chapter to facilitate the process of making further infrastructure reductions;
- convene a DOD joint working group, as soon as practical, to develop policy guidance, improve BRAC processes and decision-making tools, and ensure greater consistency among the services' processes;
- use the current discount rate tied to the U.S. Treasury's borrowing rate to calculate the net present value of BRAC savings estimates; and
- ensure full audit access to all parts of DOD's BRAC process.

The Base Realignment and Closure Process

The Department of Defense's (DOD) recent base realignment and closure (BRAC) rounds in 1991, 1993, and 1995 have typically taken at least 1-1/2 years from the time DOD initiated the process until the time expired in which Congress approved the recommendations. Under this process, services and defense agencies, acting on DOD guidance, evaluate their bases, identify candidates for closure and submit their recommendations to the Secretary of Defense who, after reviewing the recommendations, submits a consolidated list of recommendations to the BRAC Commission. The Commission reviews the Secretary's list and may add bases for closure consideration or delete bases from the Secretary's recommendations. After completing its analysis and holding public hearings related to the proposed closures, the Commission adopts a list of proposed closures that are forwarded to the President who may either accept the recommendations in their entirety or reject the recommendations, in whole or in part, and provide the Commission and Congress the reasons for that disapproval. If the President disapproves any of the recommendations, then the Commission shall transmit a revised list of recommendations to the President. Assuming presidential acceptance of the list, as occurred in prior rounds, the list is forwarded to Congress, which likewise must reject the list in its entirety or it becomes final. Figure I.1 refers to the 1995 round to illustrate the key steps in the process and time lines.

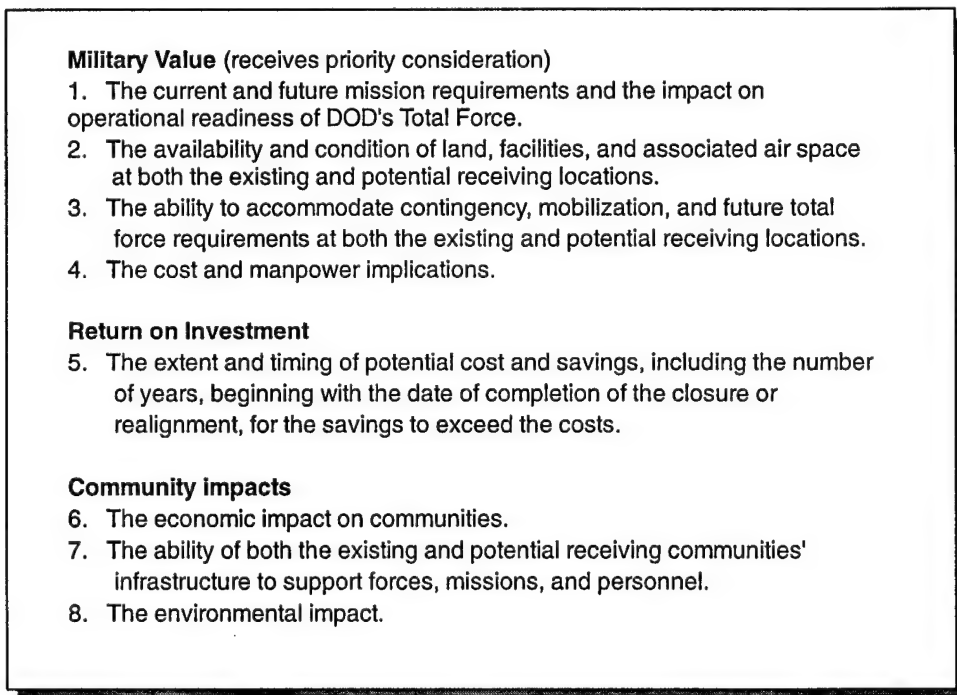
Figure I.1: Activities and Time Line of the BRAC Process in 1995



Many aspects of the recent BRAC processes were mandated by the 1990 BRAC legislation, as amended. The mandates

- Authorized an independent commission of eight members appointed by the President, by and with the advise and consent of the Senate. The nomination of individuals is in consultation with the Speaker and the Minority Leader of the House of Representatives and the Majority and Minority leaders of the Senate.
- Specified time lines for decisions by the Secretary of Defense, the President, the BRAC Commission, and Congress.
- Authorized the BRAC Commission to add and/or delete bases to/from the Secretary's list of proposed closures and realignments.
- Required the Commission to hold public hearings.
- Required the Secretary to publish in the Federal Register the selection criteria proposed by DOD in making recommendations for closure and realignment and provide the opportunity for public comment. Figure I.2 shows the criteria adopted by DOD and used in each round.

Figure I.2: BRAC Criteria



Source: DOD.

- Stipulated that decisions to close defense facilities with authorization for at least 300 civilians must be made under the BRAC process. Decisions to realign defense facilities authorized at least 300 civilian that involve a reduction of more than 1,000 civilians, or 50 percent or more of the civilians authorized, also had to undergo the BRAC process. DOD components retained the option of including facilities/activities that fell below the threshold.
- Required all bases to be compared equally against DOD's selection criteria and the current force structure plan.
- Required that information used in the BRAC decision-making process be certified; that is, that the information was accurate and complete to the best of the originator's knowledge and belief. This requirement was added for the 1993 round and was designed to overcome concerns about the consistency and reliability of data used in the process;
- Stipulated that if the President accepted the BRAC Commission's recommendations in their entirety, then the recommendations were to be sent to Congress for its consideration. If the President disapproved the recommendations, in whole or in part, then the President shall transmit to the Commission and Congress the reasons for disapproval, and the Commission shall be asked to send the President a revised list of recommendations.
- Stipulated that Congress had to accept the Commission's recommendations in their entirety. If Congress rejected the recommendations through a joint resolution, then the Secretary could not carry out any closure or realignment recommended by the Commission.
- Stipulated that specific BRAC appropriation accounts be created to ensure sufficient funding is provided for implementing the closure and realignment decisions.
- Required us to submit a detailed analysis of the Secretary's recommendations and selection process to Congress and the Commission.

In addition to the key elements that were required by the 1990 BRAC legislation, DOD, in implementing the BRAC process, adopted the following procedures.

- The services and defense agencies used the same analytical tools for assessing the (1) cost and savings associated with BRAC actions and (2) potential economic impact on communities affected by those actions.

- The services and defense agencies developed and implemented internal control plans that identified how they intended to conduct their BRAC process, ensure accurate data collection and analyses, and document decisions.
- Service audit agencies and the DOD Inspector General (IG) audited the process to better ensure the accuracy of data used in decision-making and enhance the overall integrity of the process.
- The Joint Chiefs of Staff reviewed the list of closures and realignments proposed by the services and defense agencies to assess impact on national security.

The major difference between the 1995 round and the previous rounds was DOD's 1995 requirement that the services and defense agencies explore opportunities for the cross-service use of common support assets. The Office of the Secretary of Defense (OSD) organized cross-service review groups to propose alternatives for the components to consider in the following five functional areas: (1) maintenance depots, (2) laboratories, (3) test and evaluation facilities, (4) undergraduate pilot training, and (5) medical treatment facilities.

Major Closure Decisions From Recent Base Closure Rounds

Army	Navy	Air Force	Defense Logistics Agency
<p>Presidio of San Francisco, Calif. Fort Sheridan, Ill. Jefferson Proving Ground, Ind. Lexington Army Depot, Ky. Army Material Tech Lab, Mass. Fort Douglas, Utah Cameron Station, Va.</p>	<p>Philadelphia Naval Hospital, Pa. Naval Station Galveston, Tex. Naval Station Lake Charles, La. Naval Station Brooklyn, N.Y.</p>	<p>Chanute Air Force Base, Ill. Mather Air Force Base, Calif. Pease Air Force Base, N.H. George Air Force Base, Calif. Norton Air Force Base, Calif.</p>	
<p>Fort Benjamin Harrison, Ind. Fort Devens, Mass. Ford Ord, Calif. Sacramento Army Depot, Calif.</p>	<p>Hunters Point Annex, Calif. Tustin Marine Corps Air Station, Calif. Chase Field Naval Air Station, Tex. Moffett Naval Air Station, Calif. Naval Station Long Beach, Calif. Naval Station, Philadelphia, Pa. Philadelphia Naval Shipyard, Pa. Naval Station Puget Sound, Wash. Naval Electronic Systems Engineering Center, San Diego, Calif.</p>	<p>Bergstrom Air Force Base, Tex. Carswell Air Force Base, Tex. Eaker Air Force Base, Ark. England Air Force Base, La. Grissom Air Force Base, Ind. Loring Air Force Base, Maine Lowry Air Force Base, Colo. Myrtle Beach Air Force Base, S.C. Richards-Gebaur Air Reserve Station, Mo. Rickenbacker Air Guard Base, Ohio Williams Air Force Base, Ariz. Wurtsmith Air Force Base, Mich. Castle Air Force Base, Calif.</p>	
<p>Vint Hill Farms, Va.</p>	<p>Marine Corps Air Station El Toro, Calif. Naval Hospital Oakland, Calif. Naval Air Station, Cecil Field, Fla. Naval Air Station Agana, Guam Naval Electronics Systems Engineering Center, St. Inigoes, Md. Naval Station Charleston, S.C. Naval Station Mobile, Ala. Naval Air Station Alameda, Calif. Naval Station Treasure Island, Calif. Naval Aviation Depot Pensacola, Fla. Naval Air Station Barbers Point, Hawaii Naval Station Staten Island, N.Y. Naval Air Station Dallas, Tex. Mare Island Naval Shipyard, Calif. Naval Aviation Depot Alameda, Calif. Naval Training Center, San Diego, Calif. Naval Training Center Orlando, Fla. Naval Air Station Glenview, Ill. Charleston Naval Shipyard, S.C. Naval Aviation Depot Norfolk, Va.</p>	<p>Homestead Air Force Base, Fla. Plattsburgh Air Force Base, N.Y. O'Hare International Airport Air Reserve Station, Ill. Gentile Air Force Station, Ohio K.I. Sawyer Air Force Base, Mich. Newark Air Force Base, Ohio</p>	<p>Defense Personnel Support Center, Pa.</p>

**Appendix II
Major Closure Decisions From Recent Base
Closure Rounds**

Army	Navy	Air Force	Defense Logistics Agency
Fort McClellan, Ala. Fort Chaffee, Ark. Oakland Army Base, Calif. Fitzsimmons Army Medical Center, Colo. Savanna Army Depot Activity, Ill. Fort Holabird, Md. Fort Richie, Md. Bayonne Military Ocean Terminal, N.J. Seneca Army Depot, N.Y. Fort Indiantown Gap, Pa. Fort Pickett, Va.	Naval Air Facility, Adak, Alaska Naval Shipyard, Long Beach, Calif. Fleet Industrial Supply Center, Oakland, Calif. Ship Repair Facility, Guam Naval Air Warfare Center, Aircraft Division, Indianapolis, Ind. Naval Surface Warfare Center, Crane Division Detachment, Louisville, Ky. Naval Surface Warfare Center, Dahlgren Division Detachment, White Oak, Md. Naval Air Station, South Weymouth, Mass. Naval Air Warfare Center, Aircraft Division, Warminster, Pa.	McClellan Air Force Base, Calif. Ontario International Airport Air Guard Station, Calif. Roslyn Air Guard Station, N.Y. Bergstrom Air Reserve Base, Tex. Reese Air Force Base, Tex.	Defense Distribution Depot Memphis, Tenn. Defense Distribution Depot Ogden, Utah

Source: DOD.

Note: Military installations can be a base, camp, post, station, yard, center, or leased facility. As we reported in 1995, the number of bases recommended for closure or realignment in a given BRAC round is often difficult to tabulate precisely because closure decisions are not necessarily complete closures and closures vary in size. The term "base closure" often conjures up the image of a larger facility being closed than may actually be the case. The same is true with facilities designated by DOD as major closures. This report relies on DOD's characterization of which bases are to be considered major and which are closures versus realignments. For example, the BRAC 1995 decision regarding Kelly Air Force Base, Texas is characterized as a major base realignment, not a closure. Therefore, it is not listed on this table.

Comments From the Department of Defense



OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

July 8, 1997



Mr. Henry L. Hinton, Jr.
Assistant Comptroller General
National Security and International Affairs Division
United States General Accounting Office
Washington, DC 20548

Dear Mr. Hinton:

This is the Department of Defense (DoD) response to your draft report: "MILITARY BASES: Lessons Learned From Prior Base Closure Rounds," Dated May 29, 1997, (GAO Code 709209/OSD Case 1373). The Department generally concurs with the draft report

I am pleased to note that the draft report found that the process used in the four previous BRAC rounds was sound and should serve as a model for future BRAC legislation. I also note that the draft report acknowledges that BRAC savings are expected to be substantial. In fiscal year 1996, for instance, BRAC savings exceeded BRAC costs by more than \$100 million. Savings are projected to continue to exceed costs through fiscal year 2001, when they will reach \$14 billion. The Department also anticipates annual recurring savings of \$5.6 billion beginning in fiscal year 2002. While BRAC savings are difficult to track and estimate, it is worth noting that changes in the estimates simply affect when savings will exceed costs. BRAC will still generate significant long term savings.

The Department is aware of the need to improve the accuracy and tracking of its BRAC cost and savings estimates and has asked the DoD Inspector General (IG) to validate and make recommendations towards improving our BRAC cost and savings estimating and tracking processes. The IG will provide the Department with recommendations for management controls on estimating and tracking BRAC costs and savings.

I was also gratified to read the draft report's comment that base closure communities have fared better than anticipated. This is due, in no small part, to the Federal Government's initiatives to help affected communities recover from the adverse impact of base closures.

Finally, the draft report notes that despite four BRAC rounds, DoD continues to maintain excess infrastructure. We agree. In fact, the Department has eliminated only 21 percent of its U.S. base structure while force structure is dropping by 36 percent. The Quadrennial Defense Review has found that DoD has enough excess base structure to warrant two additional rounds of BRAC similar in scale to 1993 and 1995. Given this, the Secretary has forwarded to Congress legislation that would authorize the establishment of a Base Realignment and Closure Commission leading to BRAC rounds in fiscal years 1999 and 2001.



Appendix III
Comments From the Department of Defense

Thank you for the opportunity to provide the Department's comments on the draft report.
The Department's response to the draft report's specific recommendations is enclosed.



John B. Goodman
Deputy Under Secretary
(Industrial Affairs & Installations)

Enclosure

DoD RESPONSE TO
GAO DRAFT REPORT - DATED MAY 29, 1997
(GAO CODE 709209) OSD CASE 1373

"MILITARY BASES: LESSONS LEARNED FROM PRIOR BASE CLOSURE ROUNDS"

RECOMMENDATION 1: The GAO recommended that the Secretary of Defense work with the Task Force on Defense Reform and the National Defense Panel to address, in advance of future BRAC rounds, important policy and organizational issues in the various cross-service areas to facilitate the process of making further infrastructure reductions. (pg 14-15/GAO Draft Report)

Now on pp. 9-10.

DoD Response: Concur.

RECOMMENDATION 2: The GAO recommended that the Secretary of Defense convene a DoD joint working group, as soon as practical, to develop policy guidance, improve BRAC processes and decision-making tools, and ensure greater consistency among the services' processes. (pg 15/GAO Draft Report)

Now on p. 10.

DoD Response: Concur. In preparing for previous BRAC rounds the Department established various groups to address each of the issues identified in the GAO's recommendation. The Department will establish similar groups if it receives authority for future BRAC rounds.

RECOMMENDATION 3: The GAO recommended that the Secretary of Defense use the current discount borrowing rate tied to the U.S. Treasury's borrowing rate to calculate the net present value of BRAC savings estimates. (pg 15/GAO Draft Report)

Now on p. 10.

DoD Response: Concur.

RECOMMENDATION 4: The GAO recommended that the Secretary of Defense ensure full audit access to all parts of DoD's BRAC process. (pg 15/GAO Draft Report)

Now on p. 10.

DoD Response: Concur.

RECOMMENDATION 5: The GAO recommended that whether or not Congress authorizes future BRAC rounds, the Secretary of Defense provide guidance to ensure that its components have and follow a clear and consistent process for updating savings estimates associated with prior BRAC decisions. (pg 15/GAO Draft Report)

Now on p. 10.

DoD Response: Concur. Based on the DoD IG's recommendations for management controls on estimating and tracking BRAC costs and savings, the Secretary of Defense will issue guidance to the components to ensure that they follow a clear and consistent process for updating savings estimates associated with prior BRAC decisions.

Related GAO Products

BRAC Decision-Making Process

Military Bases: Analysis of DOD's 1995 Process and Recommendations for Closure and Realignment (GAO/NSIAD-95-133, Apr. 14, 1995).

Military Bases: Analysis of DOD's Recommendations and Selection Process for Closures and Realignments (GAO/NSIAD-93-173, Apr. 15, 1993).

Military Bases: Observations on the Analyses Supporting Proposed Closures and Realignments (GAO/NSIAD-91-224, May 15, 1991).

Military Bases: An Analysis of the Commission's Realignment and Closure Recommendations (GAO/NSIAD-90-42, Nov. 29, 1989).

BRAC Implementation: Costs, Savings, and Reuse

Military Bases: Cost to Maintain Inactive Ammunition Plants and Closed Bases Could be Reduced (GAO/NSIAD-97-56, Feb. 20, 1997).

Navy Nuclear Power School (GAO/NSIAD-97-21R, Nov. 22, 1996).

Military Bases: Update on the Status of Bases Closed in 1988, 1991, and 1993 (GAO/NSIAD-96-149, Aug. 6, 1996).

Military Bases: Potential Reductions to the Fiscal Year 1997 Base Closure Budget (GAO/NSIAD-96-158, July 15, 1996).

Military Bases: Closure and Realignment Savings Are Significant, but Not Easily Quantified (GAO/NSIAD-96-67, Apr. 8, 1996).

Military Bases: Case Studies on Selected Bases Closed in 1988 and 1991 (GAO/NSIAD-95-139, Aug. 15, 1995).

Military Bases: Reuse Plans for Selected Bases Closed in 1988 and 1991 (GAO/NSIAD-95-3, Nov. 1, 1994).

Military Bases: Revised Cost and Saving Estimates for 1988 and 1991 Closures and Realignments (GAO/NSIAD-93-161, Mar. 31, 1993).

Military Bases: Transfer of Pease Air Force Base Slowed by Environmental Concerns (GAO/NSIAD-93-111FS, Feb. 3, 1993).

Environmental Restoration

Military Base Closures: Reducing High Costs of Environmental Cleanup Requires Difficult Choices (GAO/NSIAD-96-172, Sept. 5, 1996).

Environmental Protection: Status of Defense Initiatives for Cleanup, Compliance, and Technology (GAO/NSIAD-96-155, Aug. 2, 1996).

Federal Facilities: Consistent Relative Risk Evaluations Needed for Prioritizing Cleanups (GAO/RCED-96-150, June 7, 1996).

Nuclear Waste: Greater Use of Removal Actions Could Cut Time and Cost for Cleanups (GAO/RCED-96-124, May 23, 1996).

Military Bases: Environmental Impact at Closing Installations (GAO/NSIAD-95-70, Feb. 23, 1995).

Environment: DOD's New Environmental Security Strategy Faces Barriers (GAO/NSIAD-94-142, Sept. 30, 1994).

BRAC Related

Base Operations: Challenges Confronting DOD as It Renews Emphasis on Outsourcing (GAO/NSIAD-97-86, Mar. 11, 1997).

Defense Infrastructure: Demolition of Unneeded Buildings Can Help Avoid Operating Costs (GAO/NSIAD-97-125, May 13, 1997).

Defense Outsourcing: Challenges Facing DOD As It Attempts to Save Billions in Infrastructure Costs (GAO/T-NSIAD-97-110, Mar. 12, 1997).

Military Bases: Cost to Maintain Inactive Ammunition Plants and Closed Bases Could be Reduced (GAO/NSIAD-97-56, Feb. 20, 1997).

Defense Infrastructure (GAO/HR-97-7, Feb. 1997).

Future Years Defense Program: Lower Inflation Outlook Was Most Significant Change From 1996 to 1997 Program (GAO/NSIAD-97-36, Dec. 12, 1996).

Defense Acquisition Infrastructure: Changes in RDT&E Laboratories and Centers (GAO/NSIAD-96-221BR, Sept. 13, 1996).

Air Force Aircraft: Consolidating Fighter Squadrons Could Reduce Costs (GAO/NSIAD-96-82, May 6, 1996).

Army Aviation Testing: Need to Reassess Consolidation Plan (GAO/NSIAD-96-87, Mar. 15 1996).

DOD Training: Opportunities Exist to Reduce the Training Infrastructure
(GAO/NSIAD-96-93, Mar. 29, 1996).

DOD Infrastructure: DOD's Planned Finance and Accounting Structure Is Not Well Justified (GAO/NSIAD-95-127, Sept. 18, 1995).

Depot Maintenance

Defense Depot Maintenance: Uncertainties and Challenges DOD faces in Restructuring Its Depot Maintenance Program (GAO/T-NSIAD-97-111, Mar. 18, 1997).

Air Force Depot Maintenance: Privatization-in-Place Plans Are Costly While Excess Capacity Exists (GAO/NSIAD-97-13, Dec. 31, 1996).

Navy Depot Maintenance: Cost and Savings Issues Related to Privatizing-in-Place at the Louisville, Kentucky Depot (GAO/NSIAD-96-202, Sept. 18, 1996).

Army Depot Maintenance: Privatization Without Further Downsizing Increases Costly Excess Capacity (GAO/NSIAD-96-201, Sept. 18, 1996).

Defense Depot Maintenance: DOD's Policy Report Leaves Future Role of Depot System Uncertain (GAO/NSIAD-96-165, May 21, 1996).

Defense Depot Maintenance: More Comprehensive and Consistent Workload Data Needed for Decisionmakers (GAO/NSIAD-96-166, May 21, 1996).

Defense Depot Maintenance: Privatization and the Debate Over the Public-Private Mix (GAO/T-NSIAD-96-148, Apr. 17, 1996).

Depot Maintenance: Opportunities to Privatize Repair of Military Engines
(GAO/NSIAD-96-33, Mar. 5, 1996).

Closing Maintenance Depots: Savings, Workload, and Redistribution Issues (GAO/NSIAD-96-29, Mar. 4, 1996).

Aerospace Guidance and Metrology Center: Cost Growth and Other Factors Affect Closure and Privatization (GAO/NSIAD-95-60, Dec. 9, 1994).

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